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Industrial Development Board

Twenty-third session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna
on Tuesday, 14 November 2000, at 10 a.m.

President: Mr ORTIZ (Spain)

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The meeting was called to order at 10.15 a.m.

OPENING OF THE SESSION

1. **The PRESIDENT** declared open the twenty-third session of the Industrial Development Board. He welcomed all participants, and congratulated the Republic of South Africa on recently becoming a member of UNIDO.

2. The new millennium provided a fitting opportunity for reflection on the objectives for the future. At the Millennium Assembly of the United Nations, the importance of multilateral cooperation had been emphasized. One of the basic priorities set out in the Millennium Declaration adopted by the General Assembly was the fight against poverty and several objectives had been identified, which included reducing levels of extreme poverty, promoting gender equality, implementing national strategies for sustainable development and preventing environmental degradation. With its programmes, UNIDO could and should make an active contribution to the achievement of those objectives.

3. He thanked all delegations for their cooperation during the last session of the Board and expressed the hope that the spirit of consensus would continue to prevail at the current session.

ORGANIZATION OF WORK

4. **The PRESIDENT** proposed that the Board once again decide to suspend rule 32 of the rules of procedure regarding the quorum. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no representative of a member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

5. *It was so decided.*

ADOPTION OF THE AGENDA AND STATEMENT BY THE DIRECTOR-GENERAL
(IDB.23/1 and Add.1; IDB.23/CRP.6)

6. **The PRESIDENT** said that the provisional agenda (IDB.23/1) was based on that adopted by the Board in decision IDB.22/Dec.9 (see document GC.9/2). It included an additional item on UNIDO Global Environment Facility activities that had been proposed by the Director-General in accordance with rules 11 and 12 of the rules of procedure. It was also proposed that item 2 be amended to read "Adoption of the agenda and statement by the Director-General".

7. *It was so agreed.*

8. *The provisional agenda (IDB.23/1), as amended, was adopted.*

9. **Mr. VAIGL** (Observer for Slovenia), referring to item 9 concerning the proposed international centre for sustainable industrial development, said that, while, in the consultations that had taken place with regional groups, there had been support for the establishment of the centre, a number of questions had been raised with respect to legal implications. Having reviewed the situation, the Government of Slovenia would pursue the establishment of the centre under a UNIDO technical cooperation project governed by a self-financed trust fund agreement with UNIDO. The centre would therefore not be a subsidiary organ of the Board. In the light of those developments, it was not necessary for the Board to take up the consideration of the agenda item.

10. **Ms. QUINCY** (France), speaking on behalf of the European Union and the associated states of Bulgaria, Cyprus, the Czech Republic, Hungary, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, congratulated the Slovenian authorities on their decision and wished the centre every success.

11. **Mr. MAGARIÑOS** (Director-General) said that the Board, at its current session, should continue to focus its deliberations on the size and characteristics of the Organization's technical cooperation activities. Those topics were particularly relevant not only because of the need to fund integrated programmes but also in view of the process of decentralization and the portfolio of new initiatives.

12. Technical cooperation delivery in 1999 had amounted to $83.5 million and would fall to approximately $73 million in the year 2000. There were two main reasons for that reduction: the decline in the implementation of the Montreal Protocol and the reduction in stand-alone projects. In previous years, the reduction in technical cooperation delivery might have presented a problem for UNIDO's financial stability but, at the present juncture, would have no impact whatsoever on the Organization's financial performance given its sound financial management system, even though, like other agencies in the United Nations system, it was suffering from delays in the payment of contributions.

13. With regard to technical cooperation characteristics, 42 integrated programmes worth $212 million had been approved to date. That figure represented a 25 per cent reduction in the total amount of the portfolio, which was due to the revision made as a result of overlaps. Nearly 80 per cent of the funds raised for the integrated programmes, excluding funds allocated under the regular budget, were concentrated on just 10 programmes, the majority in Africa. As to the regional distribution, 40 per cent of the programme

budget related to sub-Saharan Africa, 26 per cent to the Arab region and 34 per cent to central and eastern Europe, Asia and Latin America. Since 1999, $63 million had been raised for integrated programmes and there were clear indications that that figure would rise to approximately $90 million by the end of 2001.

14. The level of project implementation under the Montreal Protocol was expected to stabilize at around $27 million per year, the decrease in 2000 being due mainly to the fact that UNIDO's share in previous years had been higher in relation to that of the other implementing agencies. With regard to investment and technology promotion offices (ITPOs) and the International Centre for Science and High Technology (ICS), the network was expected to stabilize in the next few years. Thirteen institutions were currently in existence, constituting an extraordinary network for UNIDO to promote investment and technology transfer.

15. Three years previously, UNIDO had been implementing more than 1,000 stand-alone projects and the old portfolio was being phased out to concentrate on new priorities and achieve a more integrated approach to technical cooperation delivery, a process that should be completed by 2001. Since September 1998, a number of stand-alone projects based on the new service modules had been phased in and the new portfolio was gradually increasing. A total of 105 stand-alone projects had been approved by the Managing Directors for a total value of $40 million, $29 million of which had already been approved by the United Nations Development Programme (UNDP) and donors. The regional distribution of those projects was 24 per cent for Africa, 38 per cent for Asia, 15 per cent for Europe and the Newly Independent States, 8 per cent for the Arab region and 6 per cent for Latin America, with interregional and global projects accounting for the remaining 9 per cent.

16. On the question of decentralization, it could be irresponsible for the Organization to embark upon a costly and painful exercise without a clear outline of the nature and scope of its field operations. However, failure to decentralize effectively could damage operational capacity and reduce UNIDO's comparative advantages over other organizations. It was a question of striking the right balance. The geographical distribution of technical cooperation activities, in particular those related to the implementation of integrated programmes and stand-alone projects, must be taken into consideration in the decentralization process. The implementation of the Montreal Protocol was a highly specialized activity and it did not make sense to dismantle an efficient branch at Headquarters or the existing ITPOs already distributed in other countries according to the interests of the donor Member States. Nevertheless, given the regional distribution of the main technical cooperation modalities, it did make sense to strengthen field operations in sub-Saharan Africa and possibly in the Arab region.

17. Although the technical cooperation portfolio should be a major criterion in determining the decentralization process, it should not be the sole one. Two other factors to be taken into account were the ongoing process of reform and coordination at the field level between agencies of the United Nations system, the Bretton Woods institutions and bilateral aid institutions and the decision by some countries to delegate to the field the authority for approving voluntary contributions. The scope of countries covered by UNIDO activities must also be considered. The best way to increase the collection rate of assessed contributions was by raising Member States' interest in the Organization through its portfolio of technical cooperation. Greater efforts needed to be made to ensure proper coverage of certain regions.

18. For those reasons and on the basis of more than two years' experience of utilizing the service modules and formulating integrated programmes, it had been concluded that a number of regional initiatives or programmes could be launched. Those initiatives, which were fully in line with the priorities established in the Business Plan on the Future Role and Functions of UNIDO, had been worked on during the current year and some of them were now being implemented. It was expected that, with those programmes, the portfolio of technical cooperation would total $95 million by the year 2003.

19. UNIDO's relevance and the measure of the success of its reforms should be evaluated on the basis of the implementation of the integrated programmes. If the present trend in collection rates continued, the Organization should be able to spend slightly more than $97 million on those programmes within a period of five years. Regional programmes could certainly be launched but the Organization's main efforts should be devoted to increasing the funding for the integrated programmes and ensuring their impact. In his view, the forecasts were realistic and achievable. For those who might consider them too ambitious, it should be noted that the proposed figure of $95 million for 2003 would still be below the levels of previous years. In 1994, technical cooperation had amounted to $101 million. The question whether the characteristics of the technical cooperation portfolio he had outlined corresponded to the wishes of Member States should be assessed taking into account the Organization's current situation as well as the challenges facing the United Nations system as a whole. Work was currently under way on the preparation of UNIDO's contribution to the implementation of the Millennium Declaration, information concerning which would be circulated to Member States in due course for comment.

20. In a few weeks, he would complete three years in office as Director-General. He was grateful to Member States for the opportunity they had afforded him of participating in a United Nations reform exercise, which was already proving successful. When he had assumed office, the Organization had been beset by instability, financial crisis and uncertainty about its future. Member States had been withdrawing or considering their withdrawal. Thousands of projects had been in the course of implementation. The Organization was now completely stable from the financial standpoint and most of the staff now had long-term contracts. Confidence among Member States had been renewed, to the extent that new countries were joining or contemplating membership. He was pleased to announce that South Africa had recently deposited the necessary instruments of accession, thereby becoming UNIDO's 169th Member State. Welcoming the South African delegation, he expressed the hope that the country, which represented both the developed and the developing world, would not only be a recipient of UNIDO's services but also be in a position to provide assistance. He looked forward to South Africa's cooperation with UNIDO in the South African Development Community (SADC) subregion, where the country had already been influential.

21. He was pleased to announce the first regional programme to be conducted by UNIDO in partnership with the European Union. That programme, which involved the establishment of a system of accreditation, standardization and quality promotion in the West African Economic and Monetary Union (WAEMU), was worth $12 million, of which UNIDO's implementation share was $8 million. Of equal importance was the partnership agreement signed the previous day with the Swedish telecommunications company Ericsson, thereby strengthening the Organization's cooperation with the private sector.

22. In today's world there was no longer any possibility of choosing among options or opposites; it was a question rather of reconciling them. His slogan for UNIDO's last three years would be "stability with change", the opposites which, in his acceptance speech at the 1997 General Conference session, he had proposed to reconcile. There could be no doubt that stability had been achieved, while the Organization had been profoundly changed. In the future that stability had to be maintained, while the changes should be made even more predictable. The process of decentralization and the launching of regional programmes should be carried out in that light. In 1997, changes had been decided upon in the midst of a crisis. The Organization now enjoyed the necessary stability to plan the future it wanted.

23. **Mr. PAULINICH** (Peru), speaking on behalf of the Group of 77 and China, and **Mr. HOSSEINI** (Islamic Republic of Iran), speaking on behalf of the Asian Group, welcomed South Africa as a member of the Organization.

24. **Mr. GONZALEZ** (Chile) said that it was necessary for UNIDO to take account in its work of the basic priorities for the international community outlined during the Millennium Assembly.

25. One of the long-standing dilemmas facing developing countries, and in particular the least developed countries (LDCs), was that they lacked the necessary tools and information to manage their great wealth of resources effectively. UNIDO could play an important role in that area and help to redress the balance through the establishment of a network of technology foresight centres. Activities aimed at the effective transfer of knowledge and technology should help to ensure the sustainable development of the countries in question.

26. It had been concluded at the recent Group of Eight (G-8) summit in Okinawa that, in the present-day information society, education and access to information were the only viable means of bridging the gap between the developing and the developed world. One obstacle to be overcome in that connection was the need for broader access to the Internet. It was a sad fact that only 1 per cent of the world's population currently had access to it. UNIDO was regarded as a technical agency, but could not remain so in the future unless it addressed such basic policy matters. Member States from the developing world stood ready to participate in the establishment of technology centres and in other innovative measures undertaken by the Organization.

27. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, hailed South Africa's membership of the Organization. That augured well for the reformed UNIDO, as did the announcement of further substantial financial contributions. Also welcome was the strengthened cooperation between the Organization and the European Commission, which, together with WAEMU, had decided to entrust UNIDO with the implementation of a support programme, costing some 8.2 million euros, for the establishment of an accreditation, standardization and quality promotion system for the WAEMU countries.

28. Thanks were due to the Secretariat for the presentations and meetings organized and contributions from leading figures, such as the European Commissioner for development aid, cooperation and humanitarian aid and the Executive Secretary of the United Nations Framework Convention on Climate Change, in preparation for the current session of the Board.

29. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of the Latin American and Caribbean Group (GRULAC), welcomed the recent membership of South Africa, which would undoubtedly share with the Organization its experience of industrialization in such fields as agroindustry and mining. Her delegation was pleased to note that the Secretariat had already identified specific areas of cooperation with the South African Government. It hoped that South Africa's decision would prompt the return of other States to the Organization.

30. **Mr. PAULINICH** (Peru) said that the developing countries had viewed UNIDO's establishment in 1985 as a specialized agency of the United Nations as a sign of the international community's political will to consolidate the principles of the 1975 Lima Declaration and Plan of Action. The Business Plan adopted at the seventh session of the General Conference was based on the same principle, that of viewing sustainable industrial development as a joint responsibility. That approach was becoming increasingly important with the advent of globalization. Integrated technical cooperation programmes represented an important step in reducing the external vulnerability of developing countries with critical industrial development problems, in helping to maintain their sustainable economic growth and giving their peoples a better future. But without the necessary political support and resources from the international community, such initiatives would have little chance of success. The Organization's whole future would be at stake if the necessary funds for sustainable industrial development could not be found. His delegation was ready to help find a response to the Director-General's question as to what kind of UNIDO its Member States wished to have.

31. He welcomed the inclusion of agenda item 7, UNIDO Global Environmental Facility activities, which was highly topical in view of the sixth session of the Parties to the Framework Convention on Climate Change, which was currently taking place.

32. His country wished to welcome South Africa as a new member of UNIDO.

33. **Mr. MOWOE** (Nigeria), speaking on behalf of the African Group, and **Mr. BADDOU** (Morocco) welcomed South Africa to membership of the Organization.

34. **Mrs. HERNES** (Norway) said that following UNIDO's extensive reform it was now more capable of utilizing the resources available to promote industrial development, a primary tool in the struggle against poverty and marginalization. The Director-General and the Secretariat deserved credit for their hard work. However, reform must not become an end in itself: it must be translated into increased impact in the field and in a strengthened effort to pursue the Organization's aims.

35. Clearly, UNIDO could not indefinitely be expected to improve its efforts with decreasing funds. At some point, improved performance should be rewarded by increased support from Member States. Norway considered that that point had now been reached and was therefore making a voluntary contribution to UNIDO of six million Norwegian kroner—approximately $640,000—in addition to the funds it allotted to projects in Mozambique, Uganda and Sri Lanka and to its annual contribution to the Organization's budget. The voluntary contribution would be earmarked for the integrated programmes, specifically environmental projects concerning cleaner production and municipal waste management in sub-Saharan Africa. Since 1994, UNIDO, in cooperation with the United Nations Environment Programme (UNEP), had established four national centres for cleaner production in Africa, and there were plans for a further three such centres. Cleaner production was now a component in some 50 per cent of UNIDO's integrated programmes. The Organization's comprehensive approach to its work in sub-Saharan Africa matched the general approach of Norway to development cooperation. Her country was therefore pleased to be in a position to make a direct financial contribution to UNIDO's activities in that region.

36. She endorsed the welcome extended to South Africa on joining the Organization.

37. **Mr. SCHOOMBIE** (Observer for South Africa) acknowledged the warm words of welcome extended to South Africa by the Director-General and other speakers.

38. South Africa, which was giving top priority to economic development in Africa, was encouraged by the Organization's attention to the continent and would ensure that its own efforts were coordinated with those of UNIDO. While funding remained an international problem, the good governance and democracy now being established in Africa provided a promising basis for the continuation of UNIDO's good work.

39. Developing countries and those with economies in transition were facing unparalleled challenges in endeavouring to become equal partners in the globalized world. To meet those challenges, a concerted process of brainstorming, sharing of expertise and cooperation with the Organization, Member States and donor countries would be needed. South Africa pledged itself to play its full part in that process.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (IDB.23/2)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (IDB.23/3 and Corr.1, IDB.23/6, IDB.23/7 and Corr.1; IDB.22/2 and Corr.1 and Add.1)

(b) FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS (IDB.22/8; IDB.23/CRP.1)

(c) UNUTILIZED BALANCES OF APPROPRIATIONS, 1992-1993 AND 1996-1997 (IDB.23/5)

(d) FINANCIAL REGULATIONS (IDB.23/8)

(e) TRANSITION TO A SINGLE-CURRENCY SYSTEM (PBC.16/3, PBC.16/9; IDB.23/15 and Add.1)

(f) MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005 (IDB.23/4)

(g) MOBILIZATION OF FINANCIAL RESOURCES (IDB.23/5)

40. **Mr. RAMÍREZ GASTON** (Peru), speaking on behalf of the Group of 77 and China, said that the Group of 77 and China had participated constructively in the work of the sixteenth session of the Programme and Budget Committee and had supported the decisions adopted (see IDB.23/2). It had also taken part in the informal consultations convened by the Secretariat to examine some of the issues reviewed at that session. The Group of 77 and China had taken note of the report in document IDB.23/18 and would in due course evaluate and comment upon the results of the consultations

41. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, said that, while the European Union welcomed the improvements in UNIDO's financial situation, as shown in the report of the External Auditor (IDB.23/3 and Corr.1), it regretted that previous measures to encourage Member States to observe their financial commitments had not been effective. It therefore appealed once again to present and former Member States to pay their mandatory contributions immediately and in full, so as to enable UNIDO to discharge its mandate in the interest of developing countries.

42. The European Union had requested more information on the consequences of the Director-General's intention to introduce a new list of major objects of expenditure when presenting his next draft budget. It noted with satisfaction the details and explanations provided by the Secretariat during the recent consultations.

43. At the most recent session of the Programme and Budget Committee, the European Union had expressed the hope that thought would be given to how to make the sessions of the governing bodies more effective and to allocate more time to genuinely substantive discussions. To supplement the efforts already made by the Secretariat, in particular for the present session, it invited Member States to hold informal consultations in order to devise practical measures that might be adopted at a forthcoming session of the Board.

44. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that, at the last session of the Programme and Budget Committee, the Director-General had described UNIDO's difficult situation. Although liquidity problems had now been overcome, the medium- and long-term situation still gave cause for concern. Two years after the Organization's far-reaching transformations, Member States were satisfied with the reforms. UNIDO was regularly mentioned in New York and elsewhere as an example of an organization that could do more with less. However, resources for technical cooperation for industrial development were still below the minimum acceptable level.

45. As part of the reforms and in accordance with the Business Plan, donor and beneficiary countries had embarked upon the formulation of integrated programmes. To cover current commitments for technical cooperation, a further sum of $40 million per year was needed, but unfortunately those resources were not arriving. The Director-General had put forward various alternatives to improve the situation, including accelerating decentralization, making further changes to the administrative structure of the Organization and giving more emphasis to global forum activities or to activities that offered new opportunities for development, such as the Kyoto Protocol and the Global Environment Facility (GEF). The question as to what kind of UNIDO Member States wanted needed to be asked again. The present session was particularly important in that the Board would endeavour to answer that question by considering the various proposals before it. GRULAC was grateful to the Secretariat for the consultations held on some of those issues and to the other regional groups that had participated in the discussions.

46. GRULAC firmly supported the Director-General's efforts to circulate within the United Nations system a yearly report on UNIDO's activities in the area of cooperation for industrial development and on plans

to strengthen and expand those activities in the future. It was extremely important for the Organization's work to have a higher profile in the governing bodies of the United Nations.

47. GRULAC believed in a UNIDO with appropriate resources to overcome its crisis, for which a decisive political commitment by all Member States was required, reflected in practical steps, one of which was the prompt payment of assessed contributions. Another was an increase in voluntary contributions, without which UNIDO could not carry out its mandate. Commitment to UNIDO, in particular by the industrialized world, had to be clear and unconditional.

48. **Mr. SAHINBAS** (Turkey) congratulated South Africa on joining the Organization.

49. UNIDO's achievements since 1997 bore witness to its commitment to adapt to the process of globalization. The Organization provided a good basis for the flexible delivery of integrated technical cooperation support. The Turkish delegation was pleased to note UNIDO's more stable financial situation in the period 1998-1999, the continuation of which would undoubtedly depend on the timely inflow of assessed contributions. The report of the External Auditor covering the biennium 1998-1999 (IDB.23/3 and Corr.1) contained useful analyses, observations and recommendations. His delegation welcomed the introduction of a single-currency system based on the euro, which would decrease problems of inaccuracy in accounting currency transactions and balances.

50. UNIDO needed to make other adjustments, in particular with regard to the medium-term programme framework, which should be considered in the context of overall developments and priority-setting within the United Nations system as a whole. The Organization had to be in a position to effectively address the challenges of the Millennium Declaration as far as poverty eradication and sustainable development were concerned. The promotion of a strategic vision was critical in demonstrating the importance of industrial development in efforts to promote socially sustainable patterns of development, including the creation of economic opportunities for disadvantaged and poor segments of the population to enable them to enter the mainstream of economic development.

51. Programmes aimed at the development of small and medium-sized enterprises (SMEs) made a substantial contribution to generating employment and income, overcoming social inequalities, reducing poverty, integrating the rural and urban poor into productive sectors and enhancing the position of women and disadvantaged groups. The Government of Turkey had signed a trust fund agreement with UNIDO for SME development in Azerbaijan, Uzbekistan and Kyrgyzstan, amounting to $226,000. The related project would be implemented by the UNIDO Centre for Regional Cooperation in Ankara.

52. **Mr. ZHANG Yishan** (China) welcomed the membership of South Africa, which was proof of the vital importance of UNIDO in the world today, and hoped that countries which had withdrawn from the Organization would return. The continued reform of UNIDO during the previous year had undoubtedly enhanced its effectiveness. Project implementation had also improved, delays had been reduced, UNIDO's finances were sound, the collection rate had improved and the number of countries in arrears had fallen.

53. His Government had always believed that industrial development was the basis for development for all countries and was sure that UNIDO had a special role to play in that respect. It had always attached great importance to cooperation with UNIDO and welcomed the results the Organization had achieved in promoting investment and technical cooperation. It felt sure that UNIDO would make further efforts to serve the needs of the developing countries in the future.

54. Following the Director-General's visit to his country in May, UNIDO had agreed to co-sponsor with China a regional forum on industrial development for Asia and the Pacific. Efforts were being made to ensure high-level participation in the meeting, which should have considerable impact on the way in which the countries involved might meet the challenges of globalization through industrial development and the revitalization of their economies.

55. His Government attached great importance to South-South cooperation. It had organized in October 2000 a forum on cooperation between China and Africa, attended by the President and the Prime Minister of China, who had urged further cooperation between China and Africa for the purpose of attaining their development goals. The conference had adopted a declaration for cooperation between China and Africa and a cooperation programme. China had undertaken to increase assistance to African countries gradually; to do away with the debt of the most indebted African countries and the least developed countries in two years, representing an amount of $1,200 million; to set up a special fund to encourage Chinese entrepreneurs and companies to invest in Africa; and to set up a development fund to assist African countries in training qualified staff.

56. In conclusion, China was ready to work with UNIDO to contribute to economic development throughout the world.

57. **Mr. NAIDUNOV** (Belarus) congratulated South Africa on becoming a member of UNIDO. The decision

taken by its Government showed the increased trust now placed in UNIDO.

58. He noted with satisfaction from the report of the External Auditor (IDB.23/3 and Corr.1) UNIDO's healthier financial position, with further improvements in its cash flow and the payment of arrears. He welcomed the introduction of major objects of expenditure into the budget planning process, which should make UNIDO more effective. He was grateful to the Secretariat for the high-quality information provided and the consultations held with Member States to give them a full picture of the proposed changes.

59. The question of the payment of assessed contributions in full and on time should be studied seriously and dealt with as a matter of urgency. UNIDO's success depended on the availability of resources. It was regrettable that there were still outstanding contributions. His own country had been in arrears in the payment of its contributions to a number of specialized agencies, partly because the United Nations scale of assessments in the case of Belarus had previously not corresponded to its actual ability to pay. Belarus was still faced with the costs of mitigating the consequences of the Chernobyl disaster but would do all in its power to ensure that its arrears were paid to UNIDO as soon as possible. Financial support for UNIDO must go hand in hand with political support for it. He called on all States in arrears to make a major effort to honour their commitments to the Organization and welcomed the negotiations held on the question of arrears with Member States which had left the Organization.

60. **Mr. LOSHCHININ** (Russian Federation) extended his congratulations to South Africa on joining UNIDO. Its membership was a sign of support for the work done by UNIDO and the Director-General and also had practical implications.

61. Having listened to the Director-General's statement, his first impression was very positive. Many of the ideas it contained were in line with his country's views on what UNIDO should become. His delegation welcomed the improvement in the Organization's financial situation.

62. He endorsed the appeal made by the representative of China to those countries which had left UNIDO to return. If it was difficult for them to do so at the moment, they must at least be prevailed upon to pay their arrears. During the current year the Russian Federation had paid $4 million to the Organization. It was making every effort to fulfil its commitments and hoped that others would do the same. UNIDO's activities could not be effective if two thirds of its members did not have the right to vote because they were in arrears. He urged UNIDO to implement the recommendations of the discussion group on timely payment of assessed contributions in order to ensure that Members settled their dues and to recover arrears from States that were no longer members of the Organization.

63. **Mr. KAMOHARA** (Japan) welcomed South Africa's membership in UNIDO.

64. It had been encouraging to note from the report of the External Auditor for the biennium 1998-1999 (IDB.27/3 and Corr.1) the positive developments in UNIDO's administration and its more stable financial situation during that period. However, there was still a need to improve its financial position further. The problem of the non-payment of assessed contributions should be solved as rapidly as possible. The lack of an adequate regular budget hampered the smooth implementation of UNIDO's activities in general and the effective delivery of technical cooperation in recipient countries. He urged Member States still in arrears to fulfil their obligations and requested the Director-General to continue the dialogue with them.

65. While his delegation had supported the decision adopted at the last General conference session concerning the application of the unutilized balances of appropriations for 1992-1993 and 1996-1997 for the implementation of the integrated programmes, his Government believed that such a decision, which was not in line with the Financial Regulations, should remain an exception to the rule. It supported a policy whereby the unutilized assessed contributions originating from the delay in Member States' payments might be utilized, with the Financial Regulations being revised for that purpose. That was a second-best option in cases where there were problems of arrears. If all assessed contributions were paid at the beginning of the biennium, there would be no need to discuss the question of amending the Financial Regulations. However, while problems of arrears were being faced, UNIDO must take steps for the effective use of the regular budget. His delegation strongly urged the continuation of substantial and constructive discussions on the matter.

66. His delegation hoped that UNIDO would continue its efforts to strengthen further the effectiveness of its activities and that a zero real growth budget would not be taken for granted. Japan preferred in principle to pursue a zero nominal growth budget and hoped that the Secretariat would continue its efforts to make savings wherever possible when preparing the next draft budget.

67. At the recent G-8 summit meeting in Okinawa, his Government had emphasized the possibilities which information technology could open up. It was important for UNIDO to make use of information technology in order to implement projects more efficiently in the

future. His delegation therefore hoped that the UNIDO Exchange programme would contribute to improving the planning, implementation and follow-up of the Organization's technical cooperation programmes and provide new services.

INTEGRATED PROGRAMMES (IDB.23/18, IDB.23/CRP.5)

68. **Mr. MAIZZA-NETO** (Assistant Director-General and Director, Executive Office), introducing the item, drew attention to document IDB.23/CRP.5, which provided details of the financial status of the integrated programmes. Also, a document containing progress reports on individual countries and newsletters giving information on the programmes in course of implementation were being made available to delegations.

69. **Mr. PAULINICH** (Peru), speaking on behalf of the Group of 77 and China, expressed satisfaction at the efforts devoted to formulating integrated programmes, in particular the innovative fashion in which that exercise had been carried out by UNIDO and the recipient countries, in most cases in cooperation with the prospective donors. The demand-driven approach to the development of the integrated programmes augured well for their success. However, unless additional resources were provided, the Organization would be unable to implement the projects. The Group of 77 and China considered that the decision for the unilateral scaling down of integrated programmes by UNIDO without the prior consent of the recipient countries should be reviewed, especially since the programmes had been prepared with the cooperation of those countries under the joint ownership principle. The integrated programmes should not be static but any adjustment to them should be made with the mutual consent of the parties concerned. Their successful implementation should be the major achievement of UNIDO's reforms. Thus every effort should be made to ensure the provision of adequate resources for that purpose. The Director-General should intensify the consultations with all Member States to mobilize the necessary resources. It was their responsibility to show the necessary political and financial commitment to the Organization in order to ensure the positive outcome of its reforms. Both recipient countries and prospective donors should cooperate with the Secretariat in the integrated programme monitoring currently being conducted as part of the performance measurement system. That should help to ensure the success of the monitoring process as well as the overall implementation scheme for the programmes.

70. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, said that the up-to-date information provided on the integrated programmes under way would help Member States to appreciate their development and contribute to their promotion. It might be useful in that connection to supplement the information for potential donors in the capitals and recipient countries. The European Union was convinced that an integrated programme could evolve and should be reviewed regularly. The beneficiary country should, with UNIDO's expert assistance, adapt it as required to developments in, *inter alia*, the local situation, national government priorities and funding prospects in the light of consultations with donors, and should take into account the involvement of other development actors and UNIDO's ability to implement the programme components.

71. Mobilizing funds for the implementation of integrated programmes was a responsibility shared by all Member States, the donors, through their contributions to the Industrial Development Fund, and the recipients, with their sharing of the costs. The experience gained in the development of integrated programmes should be used in reviewing various methodological principles, for example, to define more clearly favourable criteria for the follow-up or formulation of an integrated programme, which might include the beneficiary country's political, financial and technical involvement in the programme's preparation and implementation, its situation regarding its obligations towards the Organization and the interest in the programme within the community of potential donors. The European Union was ready to take an active part in any discussions on those issues. It encouraged the beneficiary countries, with the assistance of UNIDO, to increase their efforts to mobilize resources. Their commitment to promoting programmes prepared at their request by UNIDO was the best argument for those programmes in the eyes of bilateral and multilateral donors.

72. When developing or reviewing an integrated programme, UNIDO should initially consider producing one summary document which provided a framework consistent with the national priorities of the recipient country and whose components would be more precisely defined as appropriate funding was mobilized, thereby providing better control of programme preparation costs. The beneficiary country and UNIDO should include in the programme document procedures for reviewing elements of the programme and time limits beyond which the programme, or some of its components, should be abandoned or reformulated. It was essential for UNIDO to strike a balance between resources allocated for the implementation of existing programmes, which should be a priority, and the preparation of any new programmes.

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.23/14)

73. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, said that the

progress report by the Director-General (IDB.23/14) dealt with only very general principles and provided little specific information on the operational activities for development. Since the annual report would as a matter of course contain relevant information on those activities, the European Union could support the thrust of the draft decision submitted on the item (IDB.23/14, para. 12), although the text of that decision should be considered in detail in the course of the current session.

The meeting rose at 12.40 p.m.

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United Nations Industrial Development Organization

Industrial Development Board

Twenty-third session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 14 November 2000, at 3 p.m.

President: Mr. ORTIZ (Spain)

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The meeting was called to order at 3.45 p.m.

ORGANIZATION OF WORK

1. **The PRESIDENT** said that the Bureau had decided to recommend that the Board should follow its previous practice and hold informal in-session consultations to facilitate the drafting of consensus decisions. The Bureau had also recommended that Mr. F. Urruela Prado (Guatemala) and Mr. M. Nobilo (Croatia), in their capacity as Vice-Presidents, should chair the consultation meetings.

2. **Mr. FREEMAN** (United Kingdom) said he took it that the consultations would not deal with any subject not yet discussed in the plenary.

3. **The PRESIDENT** said that that was understood. If he heard no objection, he would take it that the Board accepted the recommendations of the Bureau.

4. *It was so decided.*

INTEGRATED PROGRAMMES (*continued*)
(IDB.23/18; IDB.23/CRP.5)

5. **Mr. CHULKOV** (Russian Federation) said that the number of integrated programmes being implemented was truly impressive, and he welcomed the Director-General's announcement that UNIDO would concentrate its future efforts on such programmes. It was essential to mobilize all possible financial resources, because vital needs must be met. UNIDO should try to ensure that business and financial institutions viewed the Organization as a reliable partner.

6. UNIDO should produce a clear plan of action, with priority being given to mobilization of resources. The Organization must be ready to use unorthodox and creative approaches, with maximum diversification. There was great potential for attracting assistance from the private sector, international financing institutions, non-governmental organizations and other organizations of the United Nations system. It might be useful to set up a contact unit to deal with such matters within the Secretariat, without any increase in staff.

7. He did not share the view that the scale of the integrated programmes might deter private-sector donors. The integrated nature of the programmes was a positive element, since donors could choose from a whole range of components those that matched their own priorities. The Russian experience showed that in the absence of sufficient resources for a given programme it was best to focus on the most promising components and implement the programme in stages.

8. His delegation supported the approach taken in General Conference resolution GC.8/Res.6 on "The region of Europe and the Newly Independent States". Countries with transitional economies were potential donors, and contributing to their development now would pay off handsomely for UNIDO and Member States in the future. Some countries with transitional economies were already acting as donors.

9. Resolution GC.8/Res.6 requested the Director-General, inter alia, "to take appropriate measures to assist the Balkan region in rehabilitation and development of its industrial structure". The hardest hit of the Balkan countries was the Federal Republic of Yugoslavia, where in the light of the changed situation the commencement of programme activity was now particularly important. Steps by UNIDO in that regard would be entirely in keeping with decisions already taken both at regional level and in the United Nations.

10. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the integrated programmes had not become the established technical cooperation model for UNIDO despite the care that had gone into their design and preparation. The purpose of the integrated programmes was to ensure greater rationalization in the use of resources and to obtain a greater impact. However, lack of funding hampered their satisfactory implementation and the effect had been felt in Latin America and the Caribbean. It was disturbing that some Member States were challenging the validity of the approach before there had been enough time to evaluate the impact of the integrated programmes. The Secretariat's unilateral decision to reduce the sums allocated to the programmes was surprising, since at meetings with the Secretariat it had been argued that only by joint decision with the Government concerned in each programme could the sums allocated be revised. The Latin American and Caribbean countries also considered that recipient countries should participate with the Secretariat and interested donors in the current evaluation of the integrated programmes. Lastly, they were dismayed that their region was given bottom priority in the integrated programmes. She hoped that that situation would be redressed as soon as possible.

11. **Mr. MOWOE** (Nigeria), speaking on behalf of the African Group, noted that UNIDO had developed 41 integrated programmes in 37 Member States. However, for lack of financial and human resources only 11 of those programmes had become operational.

12. Board decision IDB.22/Dec.2 had committed Member States to share responsibility for mobilizing financial resources with the Director-General. There had been an appreciable increase in funds mobilized for technical cooperation activities in 1999 as compared with the previous period, from $15.1 million to

$22.4 million. Under the trust fund mechanism contributions had increased from $6.5 million to $14.8 million, and approvals under the Montreal Protocol had increased from $24.5 million in 1998 to $31.9 million in 1999. Despite that positive trend, the Secretariat had decided to scale down the integrated programmes by about 24 per cent. Taking into account recipient country ownership of programmes, the African Group considered that only Governments could determine their priorities for technical assistance within available financial and human resources. UNIDO should therefore continue its efforts to implement the approved integrated programmes in consultation with the countries concerned.

13. **Mr. FREEMAN** (United Kingdom) said that, at the last session of the General Conference, the United Kingdom had announced an additional voluntary contribution of $1 million to UNIDO's integrated programmes in recognition of the Organization's significant progress with reform. The Organization had reacted positively to suggestions made by his Government and other Member States to look closely at the relevance and impact of its activities to international development targets, and had indicated its intention of sharpening the focus of its activities in protecting the environment and reducing poverty through the promotion of employment in the poorest countries. He welcomed the Director-General's announcement to the Programme and Budget Committee in September concerning UNIDO's re-examination of its contribution to the elimination of poverty.

14. To encourage UNIDO to continue to pursue its reforming path, the United Kingdom Government had decided to provide a further untied contribution of $2 million to UNIDO's integrated programmes in the current year.

15. **Mr. CIENIUCH** (Poland) said that an impressive number of integrated programmes had been prepared. Successfully implemented, they would contribute towards the development of export capacity, cleaner industrial production, efficient energy development, agro-industrial development and the promotion of local industries and small and medium-scale enterprises. They would encourage business and investment to enter the developing countries and those in transition and pave the way for those countries to join the globalizing world economy. However, there was a gap between the number of programmes and UNIDO's capacity to finance them. It was now proposed to scale down the number of programmes from 16 to 8. Poland was not in favour of that course of action, which would further downgrade UNIDO's position as a multilateral development agency and confirm the views of those who had questioned UNIDO's very *raison d'être*. Moreover, considerable scaling down had already taken place only three years before with the introduction of the Business Plan.

16. Rather than consider reducing the integrated programmes, his delegation would prefer ways to be found of mobilizing more funds, along the lines it had suggested at the previous session of the Board.

17. UNIDO must be flexible, and he agreed with the view that the integrated programmes should evolve in accordance with local situations, the changing national priorities of recipient countries and the prospects for financing. He also favoured a shared responsibility of donor and recipient countries for the mobilization of funds for implementing integrated programmes. Moreover, it would be advisable to introduce some methodological principles and better defined criteria as points of departure for reviewing the applications submitted.

18. **Mr. MOWOE** (Nigeria), speaking on behalf of his delegation, said that the successful implementation of the integrated programmes so far was the best indication of the benefits of UNIDO's reforms. However, UNIDO should not scale down the programmes unilaterally without prior discussion with the interested parties, in accordance with the consultations that had been carried out, and any scaling down should be suspended while the various countries' views were sought.

19. He agreed that in view of the very serious financial limitations there was a need to identify priorities to optimize allocation of programme funds; however, the consultations with partners on priorities and adjustments should continue.

20. Nigeria and UNIDO had completed the formulation of the integrated programme for Nigeria and approved the establishment of a Trust Fund to implement it. Nigeria welcomed UNIDO's intervention in the critical areas of its industrial development; it was once more on the path of economic growth and development, and was gradually reviving its defective infrastructure. It had established an interministerial implementing committee to raise funds and monitor the implementation of the programme. The Trust Fund would provide the basis for funding from the Nigerian stakeholders including the Federal Government and state governments. Nigeria therefore hoped for a favourable response to the Nigerian Country Service Framework Programme from appropriate donors in due course.

21. **Mr. HALHOUL** (Morocco) welcomed the Organization's efforts to implement the integrated programmes in accordance with the Business Plan. However, for lack of resources, the Organization had been able to implement only a few of the integrated

programmes proposed. In general, inadequacy of financial resources prevented UNIDO from achieving the aim of enabling the industrial sector to play its due role in the developing countries. Budgetary restrictions had obliged the Organization to reduce the sums allotted to implementation of the integrated programmes, without prior consultation with Member States. His delegation was concerned at the adverse effect of that decision on the Organization's image and on the recipient States. He considered that the integrated programmes should be flexible but that any change should be motivated by reasons of efficiency and not by lack of resources. Mobilization of the funds necessary to implement technical cooperation activities was a joint responsibility of the Organization and the recipient State concerned. Both parties should jointly explore all possible means of implementing integrated programmes, including the organization of round tables for donors.

22. Efficient implementation of the integrated programmes would be of benefit both to recipient countries and to UNIDO.

23. **Mr. HOSSEINI** (Islamic Republic of Iran) said that the development of a package of integrated services had been called for explicitly in the Business Plan on the Future Role and Functions of UNIDO, and identified as a major area of comparative advantage for the Organization. At present, integrated programmes represented the point of convergence between the Organization's administrative reform and programme reorientation as well as the major thrust of implementation of the Business Plan. Initially, the idea of integrated programmes had enjoyed the full support of Member States. Now, following numerous meetings and missions as well as considerable financial outlay, part of the package of programmes could not be implemented owing to a lack of resources—a situation which had seriously jeopardized the effectiveness of the package as a whole. Integrated programmes had been prepared for the Islamic Republic of Iran to meet its specific needs but a shortage of resources prevented their implementation. He supported the draft decision that had been circulated informally by the Group of 77 and China, but considered that further consultations between recipient countries, donors and the Secretariat were required before any future activities were agreed on.

24. **Mr. SRINIVASAN** (India) expressed his confidence in UNIDO as an effective multilateral mechanism. Although the process of globalization had not always been easy, its importance for the entire human race could not be denied, since it afforded the unique opportunity of sharing capital, technology and knowledge on a global scale, with a view to resolving the widespread problems of poverty and underdevelopment. UNIDO had an important role to play in closing the gap between developed and developing economies, which should lead to sound economic growth worldwide.

25. In that context UNIDO's integrated programmes represented an innovative approach which ensured commitment of the host country and other partners in the programme. They also served as a mechanism for mobilizing funds. The Organization needed, however, to step up its efforts with regard to funds mobilization. India actively supported the integrated approach, particularly for the least developed countries (LDCs), and had been looking into the possibility of implementing a number of projects for industrial capacity-building in the African region.

26. UNIDO's ability to play a catalytic role in the industrial development of countries with developing economies and economies in transition would depend to a considerable extent on its technical and financial capabilities. While a series of initiatives to strengthen its technical capabilities had been adopted, financial matters remained a major concern. UNIDO's financial position should be reviewed, especially the problem of delayed payments and arrears, which resulted in a peculiar situation of surplus funds at the end of the year with no automatic rollover. He hoped that a lasting and consensus-based solution to the problem of unutilized funds could be found. He urged defaulting Member States to pay their assessed contributions on time. India not only paid its contributions regularly, but also made substantial contributions to the Industrial Development Fund (IDF), which was proof of its strong support for the Organization and its activities. Given the important role played by UNIDO in the current rapidly changing economic climate, he stressed the need for donor countries to increase their contributions to the IDF so as to facilitate the timely and adequate funding of technical cooperation programmes.

27. **Mr. RAMÍREZ GASTON** (Peru) expressed concern about the integrated programmes, many of which, despite the effort put into their preparation by the Secretariat, could not be implemented owing to a shortage of resources. Although the programmes were supposed to be the focal point of the Organization's activities, the relevance of some was being called into question, although many of them had not had a chance to be properly assessed. The proposal for the unilateral reduction of programmes in value terms, without prior consultation with the countries involved, was not acceptable. He agreed that the programmes should be subject to regular review to keep pace with the changing needs of countries, but that should be done through dialogue between the Secretariat, recipient countries and potential donors. He endorsed the draft decision being circulated informally by the Group of 77 on the matter. He thanked the Secretariat for having organized

consultations on the subject to allow Member States to express their views.

28. **Mr. SUN Yongfu** (China), while welcoming the news of successful implementation of integrated programmes in the African region, expressed concern about the shortage of funds to cover the costs of the many integrated programmes that had been approved. The proposal to adjust the integrated programme budget to a more realistic level was acceptable, but Member States concerned must be duly consulted. Furthermore, in order to ensure the proper implementation of integrated programmes under way, the Secretariat, Member States and potential donors should pool efforts to mobilize the necessary resources. The limited resources available should be allocated to priority activities.

29. **Mr. EGLER** (Switzerland) thanked UNIDO for the preparation of selection criteria for integrated programmes and impact indicators, which would be useful tools for monitoring the Organization's activities, particularly in the field. Notwithstanding, over and above the integrated programme approach, greater cooperation among all actors involved was required, including intergovernmental organizations, bilateral donors and technical assistance providers, as well as closer links with the United Nations Development Assistance Framework (UNDAF). UNIDO should also strengthen its partnerships with the private sector.

30. **Mr. KAMOHARA** (Japan) drew attention to the External Auditor's remark to the effect that it might be worth considering strengthening the implementation of ongoing integrated programmes instead of binding manpower for the development of new ones. While acknowledging UNIDO's efforts to enlarge its donor base, he believed it would prove difficult to finance all integrated programmes in the short term. He therefore supported the Secretariat's efforts to classify the integrated programmes. It was to be hoped that, as a result, UNIDO would be able to implement the most feasible and effective projects, through consultations with recipient countries and potential donors.

31. Japan had contributed to the trust fund established to implement the 1997 Business Plan as well as to the implementation of technical assistance programmes for African countries and LDCs in other regions. One example was the Asia-Africa Investment and Technology Promotion Centre, whose mission was to promote commercial investment in Africa, in line with one of the pillars of the Plan of Action adopted at the Second Tokyo International Conference on African Development (TICAD II). The Centre's activities included missions of Asian entrepreneurs to African countries and the posting of information on investment opportunities on its web site.

32. **Mr. DE MIGUEL ALVAREZ** (Spain) said that initiatives by his country confirmed its support for UNIDO's reform and the integrated programmes. The Spanish Agency for International Cooperation had recently signed a framework agreement with the Organization for cooperation on development activities. In that connection, his Government was currently drawing up with the Secretariat a memorandum of understanding concerning the implementation of a project relating to women entrepreneurs in the agro-industry sector in Morocco. Spain's financial contribution to the project would amount to $1.3 million.

33. **Mr. NAIDUNOV** (Belarus) expressed support for the integrated programmes, which he regarded as the most successful aspect of UNIDO's reform, since they provided recipient countries with a more concrete package of technical cooperation services. It was important that countries should be able to define their economic development priorities themselves. Regarding the problems relating to the implementation of the integrated programmes, he acknowledged the Secretariat's efforts to mobilize funds, but more work needed to be done in that area. Alternative sources of funding must be sought. Cooperation with the private sector should be stepped up: the wide-ranging nature of integrated programmes should be an incentive for private-sector investors. Ways should also be sought of more fully exploiting the potential of donor countries and the multilateral financial agencies. Recipient States must play their part by contributing funds to the programmes. He shared the view that the decision to scale down programmes must be taken with the consent of the recipient countries concerned.

34. As the number of integrated programmes increased, the importance of individual projects should not be overlooked—for instance, as an alternative form of technical cooperation when the demand for integrated programmes exceeded the supply. Individual projects could, in time and with the incorporation of new elements, be transformed into integrated programmes. A case in point was the project under way in Belarus on the establishment of infrastructures to support new businesses, co-financed by UNIDO, the United Nations Development Programme (UNDP) and the Belarus Government. It had been devised as the first stage of an integrated programme, and given its successful start there was good reason to believe that it would be followed through.

35. He was in favour of a special approach to technical cooperation in countries with economies in transition and welcomed UNIDO's efforts along those lines in Europe and the newly independent States. Given the solid industrial potential of such States, such cooperation would in the long run be of benefit to the Organization as well as the States concerned. The

regional forum held in Budapest in October 2000 and missions by the Director-General had served to promote industrial cooperation and define strategies for further work with the region. He welcomed the Director-General's planned visit to Belarus, confident that it would also lead to mutually beneficial cooperation.

36. **Mr. ABU SHOUK** (Sudan) said he was confident that UNIDO would achieve its objectives under the able leadership of the Director-General. He supported the statements made on behalf of the African Group and the Group of 77 and China. Integrated programmes played a pivotal role in the Organization, but their implementation was being hindered owing to a lack of funds. He therefore appealed to Member States and donors to provide the necessary resources. The Sudan was in favour of the integrated approach, which it considered to be highly effective. He stressed the need for the completion of integrated programmes already under way; any possible scaling down should be subject to consultations with the countries concerned.

37. **Ms. BEN AMOR** (Tunisia) commended the Director-General and his staff for their efforts to focus on integrated programmes in African countries. Tunisia was satisfied with the results of its cooperation with UNIDO, and was most grateful for the help provided by Italy in that regard; similar assistance from other Member States would be most welcome. Also useful had been the recent launching of activities at the UNIDO office in Tunis, which it was hoped would strengthen existing cooperation.

38. **Mr. ZEWDIE** (Ethiopia) said that Ethiopia was one of the beneficiaries of integrated programmes. In that connection, thanks were due to its donor countries—80 per cent of the resources needed for the implementation of Ethiopia's integrated programme had already been secured. He appealed to other Member States for further contributions. He expressed concern about the Secretariat's proposal for the unilateral scaling down of some integrated programmes. While a need for adjustments to such programmes might well arise on account of changes in financial circumstances or in the national development strategies of recipient countries, they must be agreed with all parties concerned. Furthermore, reductions should not be applied across the board, but decided on a case-by-case basis, taking into account whether the country in question was particularly needy, for instance an LDC, or already had programmes that did not attract investment. He saw no reason to downscale the integrated programme for Ethiopia.

39. He would now make some remarks on agenda item 5 ("Field representation"). Despite the requests of Member States for the strengthening of field representation, in compliance with the Business Plan, progress was being hampered by a shortage of resources. He was concerned about the situation of his country, which had been selected as a possible location for a subregional office. The people of Ethiopia were ready to cooperate with UNIDO and would be very disappointed if there was any change of plan without their being consulted beforehand. Such decisions should be taken bearing in mind priorities, including the importance accorded to LDCs in the Business Plan. The proposed subregional office in Ethiopia would cover no less than six LDCs. Moreover, costs would be covered to some extent by the Organization of African Unity (OAU), the United Nations Economic Commission for Africa (ECA) and other agencies which would share the premises.

40. **Mr. SOUALEM** (Algeria) said that the integrated programmes were the result of consultation and a joint evaluation between recipient countries and UNIDO, and represented a new form of cooperation that focused on the real needs of recipient countries. Given the current budgetary constraints facing UNIDO, the Organization must seek new sources of funding from the private sector, non-governmental organizations (NGOs), multilateral bodies and banks. However, that did not detract from the responsibility of Member States vis-à-vis the Industrial Development Fund (IDF). He supported the position taken by the African Group and GRULAC regarding the proposed scaling down of integrated programmes. While adjustments might be made in consultation with recipient countries, any unilateral decision would certainly be a matter of concern. The Secretariat was therefore urged to seek alternative solutions.

41. **Ms. GARDEZI** (Pakistan) expressed concern about the gap between the expectations of Member States and the stark reality of the huge shortfall in funding for integrated programmes. She thanked the Secretariat for having prepared an integrated programme for Pakistan and requested it to step up efforts to mobilize resources so as to allow for its implementation.

42. **Mr. VINGNO** (Observer for the Philippines) said that his delegation had played an active role in consultations prior to the Board's current session on the proposal to scale down integrated programmes. He therefore fully understood the rationale behind it. Nonetheless, he considered that a decision on the matter should be deferred pending a proper assessment by Member States as to whether such adjustment was really necessary. Since such programmes had only been introduced a few years previously, there had not been sufficient time to test their effectiveness. The recipient countries should be consulted before any reductions were made. In the meantime, UNIDO's immediate task was to ensure the implementation of integrated programmes already under way through renewed and vigorous efforts to mobilize resources.

FIELD REPRESENTATION (IDB.23/10, IDB.23/18)

43. **Mr. TAKIZAWA** (Secretariat), introducing the item, said that the two documents before the Board reported on progress made at the recent consultations held by the Member States. He did, however, have additional information for the Board. The budgets for field offices for the current biennium had been increased by 27 per cent over those of the previous biennium. "Effective decentralization" had not been completed, firstly because the operational budget was lower than expected—some $73 million instead of the expected $110 million; secondly, because a "critical mass" of technical experts had to be kept at Headquarters, where the number of Professional staff in the two technical divisions had already been reduced from 123 to 106. It was difficult to maintain a balance between the requirements of field offices and those of Headquarters. Specialized agencies with a staff of two thousand to five thousand staff members could deal with decentralization more easily than UNIDO, which had only some 230 Professional and 220 General Service staff members at Headquarters and 25 Professional and 55 General Service staff members in the field.

44. During the recent consultations with Member States, many regional groups had expressed the view that UNIDO should not undertake any more restructuring or redeployment of staff to the field but should consolidate and stabilize its existing field structure and assess the effectiveness of its current field presence. Based on the consultations, the Secretariat understood that Member States wished to see a gradual approach to decentralization, which would mean consolidating the current field office network while aiming to strengthen one or two regional offices each year. Referring to paragraph 13 of document IDB.23/18, he said that the reference to funds slightly higher than those available during the period 2000-2001 did not mean that the Secretariat would seek additional resources for decentralization in the budget for 2002-2003. It expected to find such resources to strengthen the field office network through the projected modest increase in technical cooperation delivery and related operational budget income ($85 million in the year 2001, $90 million in 2002 and $95 million in 2003), by filling some of the vacant field posts by external recruitment, by redeploying staff and financial resources from Headquarters to the field, by making UNIDO's country offices part of the United Nations Resident Coordinator system, with complementary programming and sharing of premises, and through general efficiency savings.

45. It should perhaps be mentioned that, if all Member States paid their assessed contributions on time and in full, the amount made available would be sufficient to upgrade one Regional Office.

46. "Effective decentralization" did not simply involve increasing the number of staff and the amount of financial resources for field offices, but it involved making the field office network more effective and efficient as a part of the United Nations country network. Decentralization was intended as a means of delivering UNIDO services better, and it must be supported by a better management system, entailing strategic planning and guidance by Headquarters, efficient service delivery by field offices and a continuous assessment of performance of field officers by Headquarters.

47. The Secretariat was confident that the strategy could be put into effect and was already working to improve the regional programme management system so as to improve the overall performance of field offices and regional bureaux. An action plan for the next two to three years was being drafted and would be finalized by the end of the current year and submitted to Member States for their comments and approval.

48. **Mr. RAMÍREZ GASTON** (Peru), speaking on behalf of the Group of 77 and China, said that field representation and effective decentralization were of the utmost importance to the Organization. It was imperative to strengthen field representation by decentralizing functions and providing adequate financial resources to enhance activities at both country and regional levels. The Group of 77 and China had played an active part in the consultations held on the proposals for full decentralization and invited the Secretariat, in consultation with Member States, to carry out a careful evaluation of the current field representation system.

49. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, thanked the Secretariat and all Member States involved for the constructive spirit they had displayed during the many consultations recently held on the subject of field representation. From the document before the Board, the European Union noted that the transfer of resources and personnel and the delegation of authority envisaged in the budget adopted for the current biennium had not been fully implemented. It was aware of the difficulties UNIDO had encountered in that respect but wished to be given more details regarding the nature of the difficulties. It was also concerned to learn of the inadequate participation of host countries in financing local operating expenses of the offices set up in their capitals.

50. The European Union did not underestimate the difficulty of achieving effective decentralization. The objective would be to guarantee an increased and more effective presence in the field while at the same time keeping the necessary critical mass of technical expertise at Headquarters. Recent discussions had

shown that UNIDO did not at present have sufficient resources to envisage an ambitious programme for the creation of decentralized structures without jeopardizing its general structure. Realism and prudence must prevail. Improving UNIDO's effectiveness and impact in the field should be the determining factor in any decisions that the Board might take.

51. For the time being, the European Union wished to make a number of proposals: first of all, an objective evaluation of the current system of field representation and its contribution to the various programmes of the Organization should be carried out; secondly, UNIDO must be informed of the strengths and weaknesses of the decentralized structure and, for that purpose, an in-depth analysis of the means and skills to be retained at Headquarters should be carried out; thirdly, the impact of new technologies on the decisions made concerning UNIDO's structure, organization and methods of work should be taken into consideration in evaluating needs in the field; fourthly, the existing resources of other specialized agencies in the field should be taken into account so that coordination and the pooling of resources would enable optimum use to be made of limited funds.

52. The European Union intended to take an active part in studying the matter, especially with regard to an evaluation that would lead to agreed measures to bring about effective decentralization within the limits of existing resources. That might include an experimental phase which, if successful, could then be extended. The diversity of regional conditions called for a differentiated approach.

53. **Ms. PELLICER SILVA** (Mexico), speaking on behalf of GRULAC, said that the Group recognized the need to strengthen field offices with a view to achieving improved implementation of technical cooperation programmes and better management of the offices. UNIDO should, however, proceed gradually to avoid adversely affecting the administrative capacity of Headquarters. Strengthening some offices which would be regularly evaluated so as to correct any problems that might arise in their operation might be a useful alternative. The success of the process should be measured by the effective implementation of technical cooperation programmes, especially the integrated programmes, and GRULAC appealed to donor countries to provide greater resources for the latter programmes, resources which might be directly managed by the field offices. It was only thus that decentralization and the strengthening of field offices could be successful.

54. **Mr. MOWOE** (Nigeria), speaking on behalf of the African Group, welcomed UNIDO's efforts to strengthen decentralization through the establishment of field offices. The Group urged UNIDO, however, to adopt a balanced approach towards decentralization and the staffing of field offices so as to maintain sufficient expertise at Headquarters and to take the costs involved into account. It encouraged UNIDO to coordinate the activities of the existing field offices closely when formulating and implementing integrated programmes. The best means of implementing the recommendation in the Business Plan was to strengthen field offices by giving them adequate financial and functional responsibility to carry out their work. Such action should not have a direct impact on Headquarters staff. UNIDO should give the staff stability so that they could work in favourable conditions. The African Group felt that the timing chosen for the planned Headquarters restructuring was perhaps not appropriate.

55. **Mr. SAHINBAS** (Turkey) said that his country fully supported UNIDO's decentralization policy. It believed it necessary for host countries to make cash contributions towards the costs of running field offices, and had provided the UNIDO Centre for Regional Cooperation (previously the UNIDO Office in Ankara) with $200,000 for the current year as a contribution towards its running costs. The Centre would implement technical assistance projects with a view to ensuring sustainable industrial development in the region.

56. As a country which supported the strengthening of UNIDO's field representation, he wished to request the Director-General to consider enhancing the work capacity of the Centre for Regional Cooperation in line with its growing potential for implementing regional projects. Since coming into operation in July 2000, the Centre had already given new momentum to the follow-up of ongoing projects, including some 15 Montreal Protocol projects, and initiated new ones with regional implications in accordance with its bilateral agreement with UNIDO.

57. **Mr. SHOUKRY** (Egypt) said that Egypt commended the Director-General's efforts to implement the many different projects in the field and supported the search for innovative solutions aimed at achieving a higher level of activities in the sphere of sustainable industrial development. It urged UNIDO to pursue its efforts in that direction. There was no reason why the Organization should not continue along its present path and give a broader mandate to field offices within available resources, taking into account the need for a balance between the work of the field offices and the work of the Secretariat at Headquarters so as to guarantee a sound level of implementation. Egypt was in favour of giving greater responsibility to the field offices and to multidisciplinary teams in the field as the principal means of achieving UNIDO's aims in the developing countries.

58. **Mr. LOSHCHININ** (Russian Federation) thanked the Director-General and the Secretariat for the in-depth consultations organized on the subject of

decentralization, which clearly showed how UNIDO could move ahead and what could be done to enhance its effectiveness. During the consultations, however, a number of issues which required more study had arisen, especially since UNIDO was now implementing its renewed programme of activities on the basis of a comprehensive package of services. Efforts should be focused on such a comprehensive package of services and on integrated programmes, and in that context he believed that UNIDO should be very careful in undertaking decentralization. He shared the views expressed by the European Union on that point. A careful balance must be established between Headquarters and the field. The field must not be strengthened at the expense of Headquarters; if the field was given too much autonomy, UNIDO would become less effective and less well managed.

59. In his introduction to the item, Mr. Takizawa had stressed the need to keep a balance between Headquarters and field requirements. UNIDO could not go as far as some other organizations in decentralization; it should move very carefully. With decentralization to the field, the Headquarters function of coordinating and monitoring would need to be strengthened. Each link in the chain between Headquarters and the field should be reinforced. Field representation should complement and not replace the work carried out by Headquarters, and the areas of responsibility must be carefully determined.

60. The Business Plan provided for various stages of decentralization: the redistribution of resources and staff from Headquarters to the field, the delegation of authority and the determination of key functions and responsibilities for the field offices. Before redeploying staff members and redistributing financial resources, UNIDO must decide what functions and responsibilities were to be given to those offices. Until a careful analysis had been made of the functions and responsibilities of the field offices it would be impossible to deal with other outstanding issues. It would be a mistake to expect the field offices to have the main function of identifying, developing and implementing programmes and projects. He did not wish to detract from the importance of field offices, but he believed that if UNIDO's programmes were to be successful all the components involved, Headquarters, field offices, recipients and donors must be involved. The responsibility of Member States should be enhanced, especially that of recipient Member States. The Secretariat could not ensure project implementation if the Member States concerned were not actively involved in the exercise as well. It might be interesting to carry out experiments with decentralization in one or two places and then continue on the basis of the results obtained. As the United Nations Secretary-General had pointed out, advantage should also be taken of the opportunities offered by the digital information revolution.

61. He did not wish to give the impression that his country was against decentralization. It was in favour of it, but UNIDO must be as realistic and careful as possible in putting it into effect. Decentralization must not be to the detriment of the Organization's programmes.

62. **Mr. LAASSEL** (Morocco) said that his delegation had studied document IDB.23/10 with interest. It believed that decentralization should be carried out by providing field offices with highly qualified personnel and sufficient financial resources to enable them to respond effectively to the expectations of the developing countries.

63. It had noted with satisfaction the decision to increase the budget for decentralization for the period 2000-2001 by some 27 per cent. That would strengthen the implementation of the integrated programmes. Morocco had, however, noted that some regional offices encountered difficulties in identifying the specific needs of each country in a large area and tended to act more as national than regional offices, perhaps as a result of communication difficulties.

64. His delegation urged the Secretariat, as a first step, to strengthen the national offices by providing them with the structures and means required to carry out their work. The process need not entail extra costs; the host countries could contribute substantially to financing the offices. It was still too early to move on to the next stage of greater decentralization and the restructuring of Headquarters; that would not only call for additional funds but would require the mobilization of a large number of Headquarters staff, who should rather be permitted to continue their work at Headquarters under stable conditions.

65. **Mr. CIENIUCH** (Poland) said that the real problem UNIDO had been facing was not the lack of effective decentralization, but budgetary constraints preventing the Organization from implementing the integrated programmes and service modules in accordance with demand. A decentralized UNIDO with stronger field offices, a weaker Headquarters and redeployed staff would face exactly the same difficulties. Increasing UNIDO's financial resources would therefore appear to be the key to upgrading the Organization's efficiency.

66. Poland had approved the concept of decentralization, but that concept had not been sufficiently elaborated as yet. It endorsed the view expressed on behalf of the European Union that a realistic and cautious approach to decentralization must prevail. It also supported the suggestion for pilot studies

within the framework of existing resources accompanied by efforts to improve the current field structure over time.

67. With regard to increasing the responsibilities and functions of the field network, he said that Investment and Technology Promotion Offices (ITPOs) should be strengthened further and more appropriately adapted to decentralization. In addition, they should be integrated, to the extent possible, into the field network.

68. **Mr. MOWOE** (Nigeria) said that, as a result of the drastic reduction in UNIDO's core budget since 1995, only limited initiatives could be undertaken in the area of decentralization. Full and effective decentralization through an increase in resources allocated could not be achieved at the present juncture. Maintaining the current field structure while making marginal improvements over time and conducting pilot studies would not yield the desired results; only additional resources could strengthen the field administration.

69. He welcomed the establishment of the Regional Industrial Development Centre in Nigeria. His Government was up to date with its financial obligations to the Centre and would continue to provide every support to ensure that the Centre continued to operate effectively.

70. **Mr. CHUNG Hae-moon** (Republic of Korea) said that the time had come for an update on the status of decentralization and field representation. In order to evaluate the overall effectiveness of the field operations, the Secretariat should carry out a detailed analysis of the current situation in the field and the contribution being made to technical cooperation delivery. The Director-General should provide additional information on his approach to decentralization. It would be essential for the Secretariat to continue close consultations with Member States before any action was taken on the issue of field representation.

71. He commended the Director-General on his efforts to make UNIDO more client-oriented and on his success in tapping a wide range of funding resources. In that connection, he welcomed the decision of the Global Environment Facility Council to grant UNIDO expanded opportunities. Having expressed appreciation of the Secretariat's efforts to deliver better integrated programmes to developing countries, he emphasized the importance of UNIDO's global forum activities and achievements.

72. Although the Republic of Korea was pleased to note that UNIDO was in better financial shape than it had been in previous years, further efforts should be made to ensure that it was able to meet the challenges of the future. Accordingly, he strongly urged Member States to pay their arrears and to make a concerted effort to pay their annual contributions in full and on time. The Secretariat should do its utmost to settle outstanding financial issues with Member States. His Government remained committed to helping UNIDO to encourage the industrial development of developing countries. The Organization's efforts to become more responsive, decentralized and goal-oriented would increase its effectiveness in fighting poverty and promoting growth in the developing world.

73. **Mr. HOSSEINI** (Islamic Republic of Iran) said that, following the preparation and approval of many integrated programmes, an explanation for further changes in policies would be needed and expected.

74. **Mr. RAMÍREZ GASTON** (Peru) said that the process of strengthening field offices should be carried out without affecting the administrative capacity of Headquarters and taking into account the availability of resources, so that it would not jeopardize the implementation of the technical cooperation programmes. UNIDO should adopt a strategy of gradual decentralization in close consultation with Member States.

75. **Mr. SUN Yongfa** (China) welcomed the efforts being made to strengthen the field offices and hoped that the Secretariat would carry out feasibility and pilot studies to ensure that field representation would be strengthened further, in the light of the availability of human and financial resources, without weakening any of UNIDO's areas of activity.

76. **Mr. KAMOHARA** (Japan) said that, while Japan fully supported the efforts to strengthen field representation and to transform the structure of the Organization, it was high time to improve the quality of projects, leading to the effective implementation of technical cooperation and a better assessment of UNIDO's activities. Although the decentralization process would contribute to the achievement of those objectives, it would be very difficult to complete the process all at once, owing to limited human and financial resources. A gradual approach should therefore be taken and Japan welcomed the Secretariat's intention to launch a pilot project. It would also welcome an assessment of the decentralization process.

77. **Mr. TANGSANGA** (Thailand) said that the regional office in Bangkok had only one Professional staff member in addition to the Head of the office. Although he recognized the difficulties faced by international organizations, he urged the Director-General to give due consideration to allocating the resources necessary to enable the regional office in Bangkok to discharge its duties effectively. Regarding the statement in document IDB.23/10 that local contributions in support of country offices had not

measured up to expectations, Thailand had, for its part, fully met its commitments in connection with the establishment and operation of the regional office in Bangkok.

78. **Ms. GARDEZI** (Pakistan), having noted that strengthened field offices would become more involved in programme formulation and development and in project management and implementation, reiterated her country's concern about the lack of funds available to strengthen the field network. Field offices should be given the financial and human resources necessary to implement UNIDO's programmes effectively.

79. **Mr. TAKIZAWA** (Secretariat), welcoming the comments and suggestions that had been put forward, said that there appeared to be a consensus that UNIDO should pursue its efforts to decentralize, but should do so gradually, within resources available.

80. Responding to some of the points raised, he said that decentralization would not undermine the capacity and functions of Headquarters; it would help to strengthen Headquarters itself as well as the field offices. The Secretariat agreed that an assessment should be made of the performance of the field offices. It was already working on a progress report and an action plan which would, in due course, be submitted to Member States for approval.

81. **Mr. MAGARIÑOS** (Director-General) thanked the Board Members for their comments, which would be duly taken into account in the forthcoming consultations with Member States.

The meeting rose at 6.30 p.m.

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Industrial Development Board

Twenty-third session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 15 November 2000, at 10 a.m.

President: Mr. ORTIZ (Spain)

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The meeting was called to order at 10.15 a.m.

INTEGRATED PROGRAMMES (*continued*) (IDB.23/18; IDB.23/CRP.5)

FIELD REPRESENTATION (*continued*) (IDB.23/10, IDB.23/18)

1. **Mr. MAGARIÑOS** (Director-General) thanked all representatives for their suggestions concerning the integrated programmes, of which he had taken note.

2. Many speakers had expressed dissatisfaction at the Secretariat's decision to scale down the integrated programmes. That demonstrated the value placed by the recipient countries on those programmes and their feeling of ownership in them. He hoped that the donor community would take note of that attitude.

3. He would naturally have preferred to avoid scaling down the integrated programmes, but it had seemed appropriate to review the extent to which they overlapped with activities of other agencies and the extent to which government priorities showed signs of changing. Any reduction in the total value of programmes might be discouraging to the recipient countries, but to maintain them without being able to mobilize funds for their implementation would also be discouraging. It was expected that by the end of the year 2001 there would be a shortfall of some 50 per cent in the funds collected to finance the current portfolio of integrated programmes, which should indeed be expanded.

4. He hoped, however, that more funds would be contributed to the integrated programmes, which had helped to re-establish dialogue between recipient countries and donors of technical cooperation, and that it would be possible to continue the work effectively. He hoped that there would be no further need for cuts in the future, but if so the Secretariat would ask for the opinions of the countries concerned before and not after making any reductions.

5. He noted that all representatives who had spoken on field representation had supported a gradual approach to its strengthening. The Secretariat would take account of those comments. He requested that all suggestions should be included in the draft decisions that were to be discussed in informal consultations. The Board had an approved mandate with regard to effective decentralization and it would be appropriate to adopt a decision on that issue reflecting the comments made at the present session.

6. **Mr. FREEMAN** (United Kingdom) said that considerable interest had been shown by many countries in the integrated programmes. However, his Government was concerned at the very large number of programmes generated by the Secretariat. The fact that 80 per cent of the funding was going to a limited number of integrated programmes made it more likely that they would have a real impact on development. The impact would be twofold: in addition to the developmental effect in the recipient countries, that effect itself would make donors more willing to contribute. References to the amount of resources needed were somewhat artificial, since there had never been a commitment by the governing bodies of UNIDO to specific figures but only to an evolutionary process in which the recipient countries, the Secretariat and donor countries would decide together which programmes to fund.

7. On the question of field representation, he said that while the process of decentralization should not be cataclysmic, it should not be so gradual as to be imperceptible. Delegation to the field was right in theory because the point of delivery of aid by an organization should be as close as possible to the point of acceptance by the recipient country; it was also important in practice because donors had to be persuaded of the comparative advantage of UNIDO's programmes in competition with those of other multilateral agencies.

8. **Mr. MOONESINGHE** (Sri Lanka) said that his country was one of the main beneficiaries of the integrated programmes, and considered by some as a model. Sri Lanka had so far mobilized some $4 million and he understood that the Government of Norway was about to approve a further contribution of $1.4 million for a cleaner production centre in the country. Sri Lanka, a democratic country which had had universal suffrage since 1931, had a literacy rate of nearly 100 per cent with free education to university level, free hospital treatment and free medicine, but it needed assistance from the more advanced nations for its development.

9. His delegation believed that, while UNIDO sought donor support, recipient countries must also take a certain degree of responsibility for mobilizing funds.

10. The Government of Sri Lanka in principle supported UNIDO's initiative for greater field representation. However, in view of the significant resource implications, the issue of additional resources must be addressed before field representation was strengthened. He suggested that, for any pilot projects, selected existing field offices should be strengthened rather than new ones opened.

11. **Mr. MAGARIÑOS** (Director-General) welcomed the remarks made by the representative of the United Kingdom and the significant financial commitment made by his country. The United Kingdom was one of the few countries, together with Austria, Denmark and Italy, that made untied funds available. One of UNIDO's problems was that it still received a lot of funds tied to a programme component, which made it difficult to implement truly integrated programmes.

12. The Secretariat attached great importance to the impact of the integrated programmes, and he suggested that an informal meeting should be held in April/May 2001 to review all the programmes under way and the extent to which they were in line with the expectations of donors and recipient countries. Two such informal meetings had already been held, one to analyse methodologies for measuring impact, the other to present some results. Such a meeting would clarify the Organization's possibilities for providing technical assistance to a broad range of countries.

GLOBAL FORUM ACTIVITIES (IDB.23/9; IDB.23/CRP.7)

13. **Mr. ESTRUP** (Secretariat), introducing the Director-General's report on global forum activities (IDB.23/9), stressed that synergies between technical cooperation activities and global forum activities were a powerful instrument for increasing the impact of technical cooperation delivery, and would also be used by UNIDO to strengthen advocacy of sustainable industrial development.

14. The report contained an overview of activities and information on work in progress on the development of a new strategy for global forum activities, in particular for research. UNIDO's global forum activities for 2000-2001 were focused on the theme "Marginalization versus prosperity: the challenge ahead". The high-level panels held earlier that week had been part of that effort. The report also reviewed UNIDO's strategic partnerships with universities. Further information on the development of a strategic research programme was contained in document IDB.23/CRP.7.

15. **Mr. LÜTKENHORST** (Secretariat), illustrating his speech with slides, said that the national and international private sector or business community was the ultimate driving factor in industrial development. In all developing countries the share of private investment in total investment ranged from 70 to 75 per cent, and it was even higher for industrial investment alone.

16. The percentage of private and official aid flows had been reversed in the last decade: at the beginning of the 1990s, private flows had accounted for half of all resource flows from countries of the Organization for Economic Cooperation and Development (OECD) to the developing countries, whereas towards the end of the decade the share had risen to two thirds. Foreign direct investment alone now accounted for nearly 50 per cent of all resources flowing into developing countries, but according to the latest figures of the United Nations Conference on Trade and Development (UNCTAD) it was largely concentrated in the emerging countries, whereas Africa attracted 4.3 per cent and the least developed countries together only 2.2 per cent.

17. Since private flows were so important, it was not very sensible to continue to consider two distinct parallel flows of resources, commercial activities on the one hand and development assistance on the other. It would be preferable to explore possible synergies and identify viable partnerships, thus ensuring the harnessing of commercial activities to serve broader developmental objectives. That was a much more complex undertaking than merely raising money from business to finance United Nations programmes.

18. That proposition was at the core of the growing emphasis on partnership between business and the United Nations and had led to the Secretary-General's proposal of a global compact between the United Nations and business, which called upon the business community to support fundamental values relating to human rights, labour conditions and the environment. There was a similar trend towards involving private business and development programmes in the bilateral context, often within private-public partnerships.

19. Those trends were vitally important to UNIDO's core target group—small and medium enterprises (SMEs) in developing countries. Transnational corporations dominated global industrial production, world trade and international investment flows, and built up global value chains in which small local enterprises had an important role as providers of goods, components and services. Integrating SMEs into global value chains was an important way of extending gains from globalization. Small companies were not necessarily the losers in the globalization process: only those that remained isolated lost out.

20. Entry barriers were not easy for small enterprises to surmount, but there were great opportunities for them if they could master the demanding requirements of large corporations seeking to outsource. Those requirements included quality, reliability and the observance of delivery schedules, accessing global information sources, continuously improving techniques, engaging in joint ventures and applying new communications technology. UNIDO had expertise in all those areas and could offer business partners a comprehensive support package in its new Partnership Programme. Integrating SMEs into global value chains clearly required an effective interaction between industry, specialized support institutions and government to create a national or local industrial system, and there too UNIDO could assist.

21. Today large corporations had to take into account environmental sustainability and social responsibility as well as financial profit. Cooperation between UNIDO and the business community held great promise. Technical cooperation linked with commercial resource flows would improve the access of SMEs in developing countries to markets and technologies. One incentive for business in that process was the building of a socially responsible

image; others included support in accessing difficult markets such as the least developed countries.

22. UNIDO's strength lay in bringing about partnerships at regional and country level, allowing big business, Governments and business associations to pool their expertise for the benefit of SMEs in the course of development. UNIDO wished to engage in a conceptual debate on the lessons of such partnerships between the United Nations system and business.

23. In the coming year UNIDO intended to continue its successful partnership programme for the benefit of the automotive industry in India, with additional partners and more emphasis on training and long-term sustainability. Three new partnership programmes were planned for 2001, and broader regional initiatives were planned in South Asia, Africa and Latin America.

24. In connection with its global forum role, UNIDO would be involved, in cooperation with the United Nations Staff College, in preparing guidelines and best practice examples of Business Partnership Programmes. It would carry out studies of sectoral and regional trends in global value chains and the implications for SMEs. UNIDO would continue its exchange of experience with the development community, and had been encouraged by the positive feedback received from a recent expert group meeting on public-private partnerships attended by representatives of other United Nations organizations, bilateral agencies, leading transnational corporations and global business representative organizations.

25. UNIDO had just concluded a joint study with Ericsson of Sweden on trends in electronic and mobile commerce, which would serve as the basis for future joint activities under the cooperation agreement signed that week.

26. **Mr. RAMIREZ GASTON** (Peru), speaking on behalf of the Group of 77 and China, said that they had always supported UNIDO's proactive stance in promoting sustainable industrial development, and therefore welcomed initiatives to strengthen its global forum activities, in the hope that they would result in a better understanding of sustainable industrial development and hasten efforts to combat poverty and reduce marginalization. By forging partnerships with the private sector, academia and other centres of excellence and actively participating in different forums, UNIDO would enhance its capacity to bring the developing and least developed countries (LDCs) into the mainstream of international industrial development. However, while the merits of global forum activities were recognized, the importance of strengthening technical cooperation programmes and the promotion of industrial development in developing countries should not be overlooked.

27. **Ms. QUINCY** (France), speaking on behalf of the European Union and associated States, said that, as indicated in document IDB.23/9, paragraph 1, global forum activities were activities aimed at exchanging and disseminating knowledge and information, facilitating partnerships and promoting understanding of the problems relating to sustainable industrial development. The purpose of such activities was to seek realistic solutions for poverty alleviation, the creation of employment and the development of income-generating activities. They could lead to operational conclusions and, in some cases, strengthen technical assistance activities. Global forum activities included conferences and meetings, publications, the compilation of statistics, standard-setting and the development of research partnerships.

28. In order to play its role as a global forum effectively, UNIDO required a strategy taking account of its strengths and weaknesses, available resources and the needs of developing countries. It should promote greater awareness of its activities and improve coordination with other development agencies, including those outside the United Nations system.

29. The international community was growing more aware of the need to ensure respect for the environment in the process of industrialization. UNIDO must pursue its efforts, in the appropriate forums, to show that, with its competence and comparative advantages, it had a role to play in the implementation of the Kyoto Protocol mechanisms. It could also contribute to international efforts to control persistent organic pollutants (POPs), given its experience in that area.

30. The Director-General's efforts to conclude partnership agreements with research institutes must be encouraged, with emphasis on the establishment of a real network of partners. Partnerships should include universities and research institutes in the developing countries. Also welcome were efforts to develop partnerships with the private sector.

31. Like the Director-General, the European Union considered that the real challenge currently facing the international community was how to combat the marginalization of developing countries. In that connection it was worth noting that the European Union was to host the Third United Nations Conference on the Least Developed Countries (LDC III) in Brussels in May 2001, and would defray the costs of participation of least developed countries in the Conference. In accordance with the priority assigned to such countries in the Business Plan and the Organization's specific mandate, UNIDO should play an active role in the Conference and she would welcome information from the Director-General on his intentions in that regard.

32. **Mr. FIGUEROA** (Mexico), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the theme of global forum activities was related to the question of the future of the Organization. As mentioned in the Director-General's report (IDB.23/9), such activities helped to improve the Organization's image; indirectly, they contributed towards the mobilization of funds. Such activities should complement and not replace technical cooperation activities. Document IDB.23/9 could be interpreted as calling for an undue focus on global forum activities. GRULAC understood the need to target global forum activities more effectively, always bearing in mind the Organization's shortage of resources and its main objective—technical cooperation.

33. Regarding the proposed umbrella theme for the period 2000-2001, "Marginalization versus Prosperity: The Challenge Ahead", the link between that theme and the Organization's technical cooperation activities was insufficiently clear. It would be useful for Member States to have information well in advance about forums and world and regional conferences that would be organized by the Secretariat in that connection.

34. On the question of UNIDO Global Environment Facility (GEF) activities, he said that GRULAC welcomed UNIDO's efforts to tap GEF resources in view of the current shortage of funds available for technical cooperation activities.

35. **Mr. MOWOE** (Nigeria), speaking on behalf of the African Group, said the Group considered that the proposed strategy for global forum activities should be pursued only if such activities were likely to enhance the Organization's effectiveness in performing its main role—the delivery of technical cooperation services in developing countries. Given the current budgetary constraints, he feared that active engagement in global forum activities might result in a dissipation of energy and resources. He would therefore welcome more details on exactly how such activities would be carried out. The organization of "side events" around the meetings of the governing bodies was cost-effective and stimulated debate. Nevertheless, the risk of UNIDO being likened to a "talking shop" should be borne in mind when one attempted to expand the scope of such activities. The Organization's strength was its ability to deliver technical cooperation services. Its active involvement in an area where results could not be so easily assessed might expose it to criticism for ineffectiveness. He therefore looked forward to more information on the precise nature and form of the proposed strategy for UNIDO's global forum activities at the next Board session.

36. **Mr. ARAR** (Turkey) welcomed the organization of side events prior to the Board sessions on matters of global concern such as poverty alleviation, environmental concerns, private sector development and industrial indicators. An important consideration in defining a strategy for the global forum function was the need to promote integration of the Organization's upstream work and technical cooperation activities. To achieve that end, research should be done on factors determining the success of technical cooperation projects; the findings should subsequently be taken into account in formulating and implementing new projects. There was also scope for greater cooperation with multilateral institutions, many of which were interested in working with UNIDO so as to gain access to its field-level project base. With regard to global forum activities more specifically, in 1990 Turkey had begun preparation of a country programme for the phasing out of ozone-depleting substances. At present 15 projects in connection with the Montreal Protocol were being implemented by UNIDO in Turkey.

37. **Mr. ADAM** (Belgium) said that the Director-General's report (IDB.23/9) contained an interesting analysis of global forum activities. Belgium attached particular importance to the global forum function. It was essential to UNIDO's mission, since it placed the Organization alongside other inter-governmental, governmental and private agencies dealing with international cooperation. The image of the Organization was also at stake, since the global forum function allowed it to define how it perceived its role in the current context of globalization. Global forum activities would serve to focus efforts on essential issues such as project development, coordination with other organizations, meetings and training.

38. The problem of the least developed countries warranted special attention. That would be the subject of the LDC III Conference to be held under the auspices of the European Union in Brussels the following year. The message delivered by UNIDO at that Conference would be an important sign to the international community. In that connection, he suggested that the Organization should become involved in the preparatory work being coordinated by UNCTAD. He feared that no real partnership with the private sector could be achieved unless UNIDO got its message clearly across, for which the forthcoming LDC Conference would provide the ideal platform.

39. **Mr. LOSCHININ** (Russian Federation) welcomed the greater attention being paid by the Director-General to UNIDO's global forum function, which was particularly important in the current climate of globalization, as had clearly emerged as a result of the Forum for Industrial Development, organized in connection with the eighth session of the General Conference, as well as the Regional Forum held in Budapest in October 2000. At those meetings, for the first time ever, there had been debate at global and regional levels on the main current trends in industrial development in the light of globalization and on how to define a role for UNIDO in that context. The results of those meetings would be found useful by Member States in bringing their domestic economic

priorities more closely into line with current trends in industrial development. The importance of UNIDO's global forum activities had been further demonstrated by the side events organized around the current Board session covering matters such as environmental concerns and the private sector. It was through the development of such activities that UNIDO, as the only international organization in the field of industrial development, would find its own niche among international development agencies. It was essential that those and other initiatives undertaken by the Director-General should be pursued.

40. Although there was much documentation on globalization, little attention was paid to the role of industrialization in the process, which was where UNIDO came into its own. Apart from the exchange and dissemination of knowledge and information and the establishment of partnerships, UNIDO should focus its global forum activities on analysing the current problems of industrial development, drawing up appropriate recommendations and defining the best policies.

41. The rapid pace of globalization was a particular problem for developing countries and countries with economies in transition. That was borne out by the Millennium Declaration adopted at the fifty-fifth session of the United Nations General Assembly, which stressed the challenge of ensuring that globalization became a positive force for all the world's people, and called for global policies and measures tailored to the needs of developing countries and economies in transition. In that light, UNIDO's global forum activities were particularly important. The question was now not simply what should be done, but how it should be done. He supported the idea of developing a strategy for global forum activities and choosing an umbrella theme for the period 2000-2001. One possible theme might be "The role of innovations and state-of-the-art technology, including information technology, in industrial development: problems and opportunities". In view of the foregoing, the Secretariat should be provided with adequate staff for UNIDO's global forum function.

42. **Mr. MANNO** (Italy) said that a Ministerial Conference on the theme of enhancing the competitiveness of SMEs in the global economy had been organized in Italy by OECD and the Italian Ministry of Industry in June 2000. That had been followed by a visit of the Director-General to Rome to strengthen existing links between UNIDO and Italian banks and industry, and a high-level meeting of decision makers in Venice on the theme "Marginalization versus prosperity". Italy firmly believed in UNIDO's vital role in efforts to alleviate poverty, and was committed to supporting the Organization not only through the "global forum" initiative but also in contributing financially to technical cooperation activities. Italy's voluntary contributions to the Organization were aimed in the main at the funding of integrated programmes, with special emphasis on SMEs. The Italian Government was considering the possibility of providing all the funds required for the implementation of an integrated programme in Tunisia.

43. Ongoing and constructive cooperation between Italy and the Organization could also be seen in initiatives under the auspices of the International Centre for Science and High Technology (ICS) in Trieste, which, thanks to UNIDO's sound management, had achieved outstanding results in the last three years. In the light of such cooperation and new opportunities offered by ICS for technology transfer, the original proposal of the Italian Government to place ICS under the control of the United Nations Educational, Scientific and Cultural Organization (UNESCO) was withdrawn. The Agreement concluded between the Government of Italy and UNIDO in 1993 could now be fully reinstated.

44. Italy looked forward to the establishment of the proposed International Centre for Sustainable Industrial Development in Slovenia, but considered that the impact of its activities could only be guaranteed through close cooperation with ICS.

45. **Mr. MOWOE** (Nigeria), speaking on behalf of his delegation, commended UNIDO on its global forum activities. His country had taken part in several forums and found them to be useful tools. It sincerely hoped, however, that they would not detract from UNIDO's main function of providing technical cooperation to the developing countries. Technical cooperation activities and global forum activities were complementary, but the impact of activities leading to the enhancement of knowledge could not be easily measured. He supported the areas in which it was suggested that global forum activities might take place and hoped that UNIDO would invite participants from the developing countries to any meetings organized. He saw merit in any activity that could enhance the expertise of UNIDO or utilize the knowledge it had acquired.

46. He expressed his country's appreciation for the Director-General's recent successful visit to Nigeria, where he had had audiences with the President and Vice-President, launched the country service framework and taken part in a series of forums organized jointly by the Minister of Industry and UNIDO. Those forums had provided the opportunity for useful exchanges of views between the private sector and the Government on industrialization questions. The Government was now studying the recommendations made with a view to their full implementation.

47. **Mr. HOMAYOUNFAR** (Islamic Republic of Iran) commended the Director-General and the Secretariat on their work. The close link between global forum activities and technical cooperation activities would give UNIDO a very strong comparative advantage. It was important for developing countries that UNIDO should identify

appropriate solutions to respond to the new business opportunities arising out of global forum activities, and in that connection UNIDO might usefully focus on the new opportunities opened up by information technology and high technology for the benefit of Member States. His delegation supported the introduction and development of a strategy for global forum activities in consultation with all Member States.

48. **Mr. RAMIREZ GASTON** (Peru), speaking on behalf of his delegation, said that his country regarded global forum activities as an integral part of UNIDO's work, which enabled the latest advances in industry to be determined and a continuing debate held on the issues. UNIDO's normative activities enhanced its visibility and contributed to wider knowledge of its achievements and the relevance of its work. But the global forum function should be understood as complementary to the operational activities of the Organization and should contribute to attracting more resources for technical cooperation work. He hoped that the Secretariat would clarify the apparent suggestion in document IDB.23/9 that UNIDO should focus on global forum activities. Regarding the proposed umbrella theme for the period leading up to the next General Conference session, it would be important to link the theme to sustainable industrial development.

49. **Mr. SUN Yongfu** (China) said that his country much appreciated the positive role played by UNIDO acting as a global forum. It hoped, however, that, given the limited resources at UNIDO's disposal, the themes of future forums would be more topical and focused, less academic and more practical, so as to contribute better to UNIDO's task of promoting industrial development.

50. **Mr. KAMOHARA** (Japan) said that, if UNIDO fed back experience it had gained in implementing technical cooperation programmes, it should be able to demonstrate its merits in its global forum activities. In that connection, he appreciated the Director-General's initiatives in organizing seminars and symposia such as the "Regional Forum on Industrialization Cooperation and Partnership in Central and Eastern Europe and NIS" held recently in Budapest and the "Marginalization versus prosperity" meeting held in Venice. He would be very interested in the Asia-Pacific Regional Forum on Industrial Development to be held in Shanghai the following month. He believed that Member States should support such activities and contribute positively to the substantive discussions held at those forums.

51. **Mr. MOONESINGHE** (Sri Lanka) said that private-public partnership was a vital issue for developing countries that had initially pursued a policy of State-driven industrialization. The promotion of that kind of partnership was a major feature of an integrated programme in Sri Lanka. UNIDO had assisted it in obtaining international expert assistance and in organizing seminars that were helping it to develop an effective model for such partnerships in Sri Lanka. In conclusion, he invited donor countries interested in the field of information technology to assist his country in that connection.

52. **Mr. GONZALEZ** (Chile) said that his country supported the global forum activities, but stressed that the main task of UNIDO was to offer technical cooperation for industrial development. Global forum activities should complement and strengthen technical cooperation activities, contribute to enhancing the Organization's image and external visibility and open up possibilities for partnerships with the private sector, civil society and universities, whose support was essential in the context of globalization.

53. A greater visibility for UNIDO and the dissemination of clear messages about its comparative advantages should assist the search for new partners and attract financial support from the private sector, thus opening up alternative sources of financing for the Organization. Chile therefore welcomed the global forum activities for the period 2000-2001 and was ready to take part in them whenever appropriate.

54. **Mr. HALHOUL** (Morocco) expressed support for the Organization's global forum activities, aimed at encouraging wide participation in efforts to develop new strategies for technical cooperation. There was no need to recall the difficulties faced by the developing and the least developed countries because of their lack of competitiveness on world markets. UNIDO should use all its technical resources to fight against poverty, promote equity and reduce marginalization in North-South exchanges. Global forum activities should provide innovative contributions and complement the Organization's main role of technical cooperation in the field of industry and the implementation of integrated programmes. In view of the human and financial resources involved, Member States expected that the meetings organized would not be merely theoretical but would lead to concrete results. A competitive economy generating employment in a healthy environment could be brought about only if solid bases were laid for sustainable industrial development.

55. **Mr. FREEMAN** (United Kingdom) asked how the value of the work done under the global forum heading could be established. The information provided contained a good deal of descriptive material but no indication of the impact of the activities in measurable terms. It was becoming increasingly important at the present time to show what outcomes could be expected so as to justify the input when calling for financial or personnel resources. He hoped that the Secretariat would tell the Board what results it had anticipated up to the present and what results it had obtained and also what it anticipated for the future in measurable terms.

56. **Mr. ZEWDIE** (Ethiopia) welcomed the global forum activities, which were in line with UNIDO's mandate. He believed, however, that a set of criteria for the selection of topics to be discussed at the global level should be developed, the industrial development of the least developed countries being of primary importance. UNIDO could have a direct impact on such important areas as agro-industry, human and industrial capacity-building and the gradual transformation of agricultural economies into industrial economies. A wide variety of views should be sought on issues such as marginalization, environmental degradation, deforestation and export capacity-building. Such topics should be viewed from the angle of poverty alleviation in the perspective of development and not simply from an academic viewpoint. How could the industrial capacity of the LDCs be strengthened when, for example, there was such a wide difference between the tax levied on raw coffee and that levied on processed coffee? How could such practical problems of importance to the developing countries be solved? He hoped that the global forum activities of UNIDO would lead to substantive results relevant to technical cooperation activities and development.

57. **Mr. CHARRY SAMPER** (Colombia) said that global forum activities provided a valuable contribution to UNIDO's work. He fully shared the view that the strategy for global forum activities should take into account the need to obtain results. UNIDO should not concentrate its activities on the global forum role, nor should it duplicate activities of other agencies; it should rather make efforts to achieve better inter-agency coordination. But its main task was to promote technical cooperation and implement integrated programmes, always bearing in mind the current technological revolution and the profound changes taking place in industrial organizations, especially transnational corporations.

58. One of UNIDO's basic problems was the lack of resources to fund its programmes; that might create a credibility gap and lead to a loss of interest in the Organization. It must be recognized that the future plans of UNIDO depended on the contributions of major donors. In that connection, he believed that at some later stage serious consideration should be given to working out a strategy to encourage the return to UNIDO of the United States of America. He would be interested to learn the opinions of the European Union and countries such as Japan and China on that matter.

59. UNIDO might usefully consider entering into strategic alliances with those transnational corporations that were taking the lead in the technological and scientific changes affecting industry. He noted in that connection that a cooperation agreement had been signed between UNIDO and Ericsson with a view to improving the industrial competitiveness of developing countries.

60. If the excellent forums that UNIDO organized succeeded in attracting new interest around the world, they could contribute to the strengthening of industrial development. He supported the global forum strategy, on the understanding that the activities involved must be of positive practical use to the Organization.

ACTIVITIES OF THE JOINT INSPECTION UNIT (IDB.23/12 and Add.1, IDB.23/16)

61. **Mr. KUYAMA** (United Nations Joint Inspection Unit (JIU)), said that a common understanding had now been reached on the way JIU reports and recommendations were to be handled. He understood that document IDB.23/12/Add.1 reflected some of the concerns of the Secretariat and wished to comment on some of the points raised so as to give Member States a clearer understanding of them.

62. Referring to paragraph 3, he said that JIU believed that the basic criteria for determining the relevance of reports to UNIDO would be whether a given report and the recommendations therein satisfied any one of the following criteria: (a) that it fitted into the mandate and purposes of the Organization; (b) that it had a bearing on the efficiency of the services and the proper use of funds; (c) that it was aimed at improving management and methods and achieving greater coordination among organizations; (d) that it was aimed at assisting the Industrial Development Board in carrying out its responsibility for the external evaluation of programmes and activities; and (e) that it was aimed at advising the Organization on its methods for internal evaluation, periodically assessing those methods, or making ad hoc evaluations of programmes and activities.

63. That meant that, on average, no more than four JIU reports and approximately 20 recommendations of relevance to UNIDO would be presented to the Board every year, assuming that all the system-wide JIU reports were considered relevant to UNIDO on the basis of the above criteria. The number could, however, be substantially reduced since JIU drew a distinction between recommendations addressed to the executive heads of organizations and those addressed to legislative bodies. The Board would be expected to consider only those recommendations requiring legislative action with policy and/or financial implications.

64. Turning to the question of specific decision-making on JIU recommendations, he said that the Board's practice of limiting its action on JIU recommendations to taking note of them did not facilitate implementation.

65. The Board was therefore strongly urged to take specific decisions in the future on each of the few relevant recommendations requiring legislative action, in the spirit of General Assembly resolution 50/233 of 7 June 1996, which established the principle that "the impact of the JIU

on the cost-effectiveness of activities within the United Nations system is a shared responsibility of Member States, the Unit and the secretariats of the participating organizations".

66. Any implications arising from those considerations could be minimized by the Secretariat's submitting a document of a different kind to facilitate efficient decision-making, and by utilization of the informal consultations mechanism mentioned in paragraphs 6 and 8 of document IDB.23/16.

67. Paragraph 3 of document IDB.23/12 Add.1 indicated a time lag of six months between the issue of JIU reports in English and in other language versions. That time lag had now been reduced to two months.

68. Paragraph 9 (a) of document IDB.23/12 Add.1 mentioned the possible availability of JIU reports on the Internet. It was now expected that such reports would be made available online by the end of 2000.

69. He again stressed the critical importance of specific decision-making by Member States or the Board on relevant JIU recommendations. Without such decisions the Secretariat would not be in a position to implement the relevant recommendations as envisaged in the Board's decision IDB.22/Dec.7.

70. **Mr. RAMIREZ GASTON** (Peru), speaking on behalf of the Group of 77 and China, said that the Group considered that further consultations were needed between the Secretariat, JIU and the Member States. It reiterated its view that no recommendation should be implemented before being considered by the governing bodies of UNIDO.

71. **Mr. TALLARD-FLEURY** (France), speaking on behalf of the European Union and associated States, said that the European Union attached importance to the development of a mechanism for following up JIU recommendations, and would like an interim report on the development to be submitted to the Board.

72. The European Union considered that the Board should be kept fully informed of any unsolved problems between the Secretariat and JIU, and urged the Secretariat to seek a balanced solution that would allow it to benefit from the work of that body. It would welcome a full report at the next session including a draft decision on an effective mechanism for the follow-up of JIU decisions.

73. **Mr. KAMOHARA** (Japan) said that his Government welcomed the consultations between JIU and UNIDO, and urged the Secretariat to continue its dialogue with JIU and seek to establish appropriate procedures for future relations with that Unit.

74. **Mr. KUYAMA** (Joint Inspection Unit) thanked those who had spoken for their support for JIU activities and expressed the hope that an agreement between the UNIDO Secretariat and JIU could be concluded before the next session of the Board.

GLOBAL FORUM ACTIVITIES (*continued*) (IDB.23/9; IDB.23/CRP.7)

75. **Mr. ESTRUP** (Secretariat) thanked the members of the Board for their helpful comments on global forum activities. The Secretariat would do its best to fulfil the expectations of the Board.

76. The 1997 Business Plan on the Future Role and Functions of UNIDO emphasized UNIDO's dual role of performing a global forum function and providing technical cooperation services. UNIDO was trying to ensure complementarity between those two functions. The spread of knowledge was of great importance, and technical cooperation could be carried out much more efficiently in partnership with the academic world and civil society organizations. Help in sustainable industrial development and the development of productive capacity was needed by countries that were outside the globalization process. For that reason, UNIDO was taking a direct role in the process leading up to the LDC III Conference in Brussels and in implementing the objectives of the United Nations Millennium Declaration, which were at the heart of its mandate. As pointed out in paragraph 4 of document IDB.23/CRP.7, in the present global context UNIDO interventions must gain legitimacy by connecting marginalized countries and communities to the process of globalization so that it became a positive force for all. The services of UNIDO should benefit those "left behind", and UNIDO should commit itself to the goals of furthering "connectivity" and fighting marginalization.

77. The global forum activities served to further the goal of technical cooperation for sustainable industrial development and a strategy was needed to ensure that UNIDO's technical cooperation interventions were properly focused, as technical cooperation was the ultimate goal of UNIDO.

78. It was true, as the United Kingdom representative had pointed out, that there was a measurement problem in relation to global forum activities. The global forum and technical cooperation strands were difficult to separate, but the Secretariat was working on the problem and hoped to find ways of measuring, to some extent, the impact of the global forum activities. However, in the end it was the impact of technical assistance that should be measured, since that was the ultimate goal of global forum activities.

79. **Mr. FREEMAN** (United Kingdom) said that he did not understand exactly how global forum activities generated particular kinds of technical cooperation. They

often seemed to involve meetings between people of similar views.

80. **Mr. ESTRUP** (Secretariat) drew attention to the list of activities in document IDB.23/9. They included partnerships with universities, some in the United Kingdom, that had enabled UNIDO to capitalize on the knowledge of the academic world in regard to technical cooperation.

81. **Mr. ZEWDIE** (Ethiopia) said that the least developed countries would like to know what Member States would lose if there were no discussions of the global forum type.

82. **Mr. ESTRUP** (Secretariat) said that global forum activities provided a number of ways of strengthening and improving technical cooperation. UNIDO could not rest on its laurels; it must constantly seek to strengthen its advocacy of sustainable industrial development and obtain the best possible technological and other knowledge to reinforce technical cooperation.

83. **Mr. MAGARIÑOS** (Director-General) recalled that the agenda item concerning global forum activities had been included on the agenda for the current session at the Secretariat's request, so that it could seek the support of Member States for the development of such activities. It had not been possible in the time available to deal with all the concerns expressed by delegations, but consultations would be continued in the coming months. He would also suggest that the item should be taken up at the Board's next session. Implementation had been guided by the recommendations in the 1997 Danish assessment of UNIDO.

84. **Mr. RAMIREZ GASTON** (Peru) said that in view of the concerns expressed during the debate, a fuller regular dialogue between the Secretariat and Member States on global forum activities would be welcome. While not denying their importance, he stressed that such activity should merely complement the Organization's essential mandate of providing technical cooperation services. He looked forward to taking part in the consultations referred to by the Director-General.

UNIDO GLOBAL ENVIRONMENT FACILITY ACTIVITIES (IDB.23/11)

85. **Mr. D'AMBROSIO** (Managing Director, Sectoral Support and Environmental Sustainability Division) said that he would like to provide updated information on activities relating to the Global Environment Facility since May 2000 as well as on the status of GEF-funded projects.

86. Negotiations between UNIDO and the GEF Secretariat had continued following the decision of the GEF Council in May 2000 to grant UNIDO the status of an executing agency with expanded opportunities. Visits had been paid to the GEF Secretariat in Washington, including a meeting between the Director-General and the GEF Chief Executive Officer, as well as to two GEF implementing agencies—the World Bank and the United Nations Development Programme (UNDP). Cooperation with the other implementing agency, the United Nations Environment Programme (UNEP), was envisaged in the future, particularly in the area of persistent organic pollutants (POPs). Contact had also been established with major donors and some recipient countries for promotional purposes and for project formulation.

87. In the year 2000, four new projects had been approved for an overall amount of $11.3 million, bringing the total number of GEF-funded UNIDO projects under implementation to six. Together with the formulation and implementation of projects, a process of familiarization was under way with visits of GEF executive staff to UNIDO and future planned participation of senior UNIDO staff in GEF familiarization seminars. A workshop for UNIDO representatives working in Africa had been held in Lagos in October 2000. In November 2000, UNIDO had been represented at a GEF Council meeting for the first time.

88. **Mr. GÜRKÖK** (Secretariat), illustrating his presentation by the use of slides, said that he would focus on three main areas: global energy issues, UNIDO's relevance and UNIDO's energy strategy.

89. The first global energy issue which came within UNIDO's competence was accessibility to energy, which concerned rural and renewable energy, and tied in with the question of poverty alleviation. The second issue was energy efficiency, which related to transport and advanced fossil fuel technologies.

90. According to statistics available on the national energy share vis-à-vis the world's total energy consumption, energy was unevenly distributed between most of the developing countries on the one hand and the developed world and countries endowed with fossil fuels on the other hand. Moreover, many of the countries in the latter category used their energy very efficiently, namely to generate a considerable amount of their gross domestic product (GDP), whereas what little energy the developing countries had was generally not used efficiently.

91. More than 2 billion people worldwide relied on traditional fuels and had no access to electricity. The reasons for that were the inefficient and environmentally harmful use of energy and its disproportionate cost. Environmental problems affected people living in poverty more directly. However, minor improvements in energy services brought considerable welfare benefits and stimulated the development of small enterprises. A case in point was the successful "multifunction platform" project implemented in Mali and Burkina Faso, jointly funded by UNIDO, UNDP and the International Fund for

Agricultural Development (IFAD). The project was based on a one-cylinder engine machine, used for a variety of purposes, that operated on bio-fuel. More interesting, however, was the fact that the project was run entirely by local rural women.

92. Turning to the subject of UNIDO's relevance, he said that there was growing emphasis on energy and environmental matters, as borne out by the increasing number of international conferences held and planned on such matters since the United Nations Conference on Environment and Development (Rio de Janeiro, 1992). UNIDO projects implemented in the field of energy efficiency were divided into two main categories: renewable energy and fossil fuel energy. The former included the very successful project in the African region on biomass for industrial energy as well as solar and wind-energy projects in other regions. One of the most widely publicized projects in the latter category was the Copsa Mica clean-up project in Romania. UNIDO's energy mandate was spelt out in the Business Plan, which focused on the dual problem of cleaner and sustainable industrial development and energy efficiency, and in General Conference resolution GC.8/Res.2, relating to the Global Environment Facility.

93. UNIDO was active in many spheres, but the area to which major donors attached the greatest importance was poverty alleviation by means of renewable energy projects for rural communities.

94. UNIDO's energy strategies were basically twofold. Firstly, there was the implementation of technical cooperation projects aimed at sustainable energy development: rural energy development to fight poverty; increasing energy efficiency on both the supply and the demand side; capacity-building for Kyoto Protocol mechanisms; and promoting the application of renewable (alternative) forms of energy. Secondly, global forum activities would involve: studying and discussing relevant issues and identifiying technical cooperation needs; and giving UNIDO visibility in international forums. In the implementation of those strategies, the following points must be borne in mind: strategies should be based on the Business Plan and UNIDO's comparative advantages; the donor community and recipient countries should support the strategies; the division of labour among international organizations should be respected; and strategies should reflect the "multi-stakeholder" character of sustainable energy development.

95. In response to the discussion on global forum activities and more specifically the United Kingdom representative's comments, he said that success indicators had already been developed for strategies relating to industrial energy efficiency, renewable energy and capacity-building in connection with the Kyoto Protocol, but things were less simple in other areas. However, there was a link, for example, between rural energy development and increasing poor people's access to energy, and that could be analysed.

The meeting rose at 1.15 p.m.

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Industrial Development Board

Twenty-third session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 15 November 2000, at 3 p.m.

President: Mr. ORTIZ (Spain)

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The meeting was called to order at 3.15 p.m.

UNIDO GLOBAL ENVIRONMENT FACILITY ACTIVITIES (*continued*) (IDB.23/11)

1. **Mr. NOWOE** (Nigeria), speaking on behalf of the African Group, welcomed the decision of the Council of the Global Environment Facility (GEF) to include UNIDO as an executing agency. He would encourage GEF and UNIDO to establish a good working relationship without further delay and urge the Secretariat to strengthen its capacity for environmental activities. In that connection, his Group requested the Secretariat to focus on the African continent's special urgent needs by formulating and implementing environmental programmes of regional scope. While the project for the Guinea Current ecosystem was welcome, it must be implemented, and the countries concerned should take the lead in mobilizing the necessary resources.

2. UNIDO was also encouraged to identify appropriate options in response to new business opportunities arising from the United Nations Framework Convention on Climate Change and the Kyoto Protocol mechanism.

3. The African Group welcomed the restructuring of the Organization as well as the approach of providing comprehensive and integrated services to Member States and the strengthening of field representation. UNIDO should continue to accord priority to the needs of developing countries, particularly the least developed countries (LDCs). The African Group appreciated the cooperation between the Organization and the Conference of African Ministers of Industry (CAMI).

4. Speaking on behalf of Nigeria, he welcomed activities by the Organization to enhance cooperation with GEF, such as visits to Nigeria and other developing countries and the organization of the first awareness workshop for UNIDO representatives in the Nigerian capital in October 2000. He asked UNIDO to continue such efforts, particularly in his subregion. Industrialization was a key element in the promotion of sustainable development, the creation of employment, the eradication of poverty, social integration and the involvement of women in the development process. Member States were strongly urged to give the Organization the necessary financial and political support.

5. **Mr. SRINIVASAN** (India) said that UNIDO's role was that of a global provider of technical cooperation services in the industrial field and a global forum for the exchange of knowledge relating to the industrial development process. India supported the Organization's involvement in identifying and implementing GEF projects and welcomed its efforts to create awareness of GEF objectives. Although developing countries had the same environme concerns as developed nations, budgetary constra limited their capacity to take those concerns adequa into account. The activities of UNIDO in that area w a significant help.

6. India was an important beneficiary of GEF Montreal Protocol projects. It welcomed the re approval of a GEF project on coal-bed meth recovery for India. However, it considered that delay the approval of proposed GEF-funded projects nee to be considerably reduced, through greater interac with member countries and implementing agencies. success of regional cleaner production centres in I had encouraged the private sector to devote resource its own to the introduction of environmentally frie practices.

7. Draft proposals for projects in India relatin industrial boiler efficiency and co-generation in cement industry had been submitted to UNIDO possible GEF funding. Technical teams to prepare project proposals had already been recruited. W regard to the industrial boiler project, a mission been organized in May 2000 with the participatio local and government officials and representative associations of industrial boiler manufactu Nonetheless, faster progress needed to be made such projects.

8. Under a project relating to construction mate technology developed in India for the manufactur cheaper and more durable and environmentally frie material for building houses was being success transferred to some African countries. The In Government was ready to work with UNIDO expanding the coverage of the project.

9. **Mr. KAMOHARA** (Japan) said that environment was a very important dimensio industrial development. As a country which bore 2 cent of total GEF costs, Japan welcomed UNI participation as an executing agency for GEF acti and hoped that through those activities, give experience and expertise, the Organization would an important contribution to the global environmen

10. **Mr. HALHOUL** (Morocco) welcomed decision of the GEF Council to include UNIDO executing agency. That would enable Member Sta benefit from GEF funding for the preparation of pr and make it possible to strengthen the expertise Organization in sustainable industrial developmen the protection of the environment.

11. **Mr. RAMIREZ GASTON** (Peru), speaki behalf of the Group of 77 and China, exp satisfaction at the dynamic approach adopted b Secretariat in following up General Confe

resolution GC.8/Res.2. He welcomed the decision of the GEF Council to include UNIDO and the Food and Agriculture Organization (FAO) as executing agencies. Expressing appreciation of the initiatives taken by the Organization to enhance its activities with GEF, he urged the Secretariat to pursue such efforts bearing in mind implementation capacity.

12. Speaking as the representative of Peru, he noted the information on GEF-related activities contained in document IDB.23/11. One of the major problems facing UNIDO was the scarcity of resources for technical cooperation, and its participation as an executing agency for GEF would ensure direct access to funds for the preparation of GEF-related technical cooperation projects.

13. The transfer of technology relating to the environment was a global endeavour calling for the support of the whole United Nations system. No agency was better placed than UNIDO to help overcome the barriers that existed in the global technology market so that world goals with respect to climate change and the reduction of carbon dioxide emissions could be fulfilled.

14. **Mr. SUN Yongfu** (China) said he was pleased that UNIDO had become an executing agency for GEF; that would open up new opportunities for development cooperation and broaden the scope of the Organization's activities. China supported all UNIDO's activities with respect to the environment, including recent initiatives in connection with the United Nations Framework Convention on Climate Change. China had already cooperated successfully with the Organization on projects under the Montreal Protocol and hoped that such cooperation would be further strengthened in future.

15. **Ms. NTS'INYI** (Lesotho) said that South Africa was an active member of the South African Development Community (SADC), and its admission to UNIDO would give the southern African subregion an additional voice in the Organization. She appreciated the importance of GEF funding for UNIDO's technical cooperation activities and welcomed the discussions under way between UNIDO and the Danish Government in the area of persistent organic pollutants (POPs).

16. In keeping with the Business Plan on the Future Role and Functions of UNIDO, Lesotho could also benefit from GEF activities through the implementation of its integrated programme. The fact that only one of the 11 integrated programmes developed for Africa was for the southern African subregion was a matter of some concern—the efficiency of the Organization would be gauged by the successful implementation of integrated programmes in all recipient Member States. She therefore urged the Organization to focus greater attention on the subregion.

17. **Mr. EGLER** (Switzerland) said he supported closer cooperation between UNIDO and GEF. In such cooperation, UNIDO's National Cleaner Production Centre Programme might be a key element. Switzerland had always maintained that UNIDO must promote not just industrial development but clean and sustainable industrial development—that was where its comparative advantage lay. Cleaner production and waste minimization, one of the most important areas in which UNIDO was currently engaged, were important factors in sustainable industrial development. The United Nations Commission on Sustainable Development laid stress on the role of National Cleaner Production Centres (NCPCs) as an important mechanism for pursuing sustainable development. NCPCs would also be a useful tool for the implementation of existing and future international environmental treaties, including the proposed convention on persistent organic pollutants. The potential role of NCPCs in the implementation of the Kyoto Protocol clean development mechanism had been discussed at the preparatory meetings for the Sixth Conference of Parties to the United Nations Framework Convention on Climate Change that was under way in The Hague.

18. **Mr. ZEWDIE** (Ethiopia) welcomed the involvement of the Organization in GEF activities. It would fill a gap felt by those least developed countries (LDCs) that were currently unable to meet the requirements for the approval of project funding. Where necessary, UNIDO would be expected to provide assistance to some LDCs in the preparation of project proposals, whereas for other countries it might merely serve as a channel for funding. What was important was that cooperation with GEF should make a real difference in technical cooperation activities in those countries.

19. **Mr. D'AMBROSIO** (Managing Director, Sectoral Support and Environmental Sustainability Division) observed that there was a great deal of support for UNIDO cooperation with GEF. It should be remembered that GEF never provided all the funds for projects—they were implemented on a cost-sharing basis. India, having accepted that principle from the outset, was currently one of the countries benefiting the most from GEF-funded projects. The representative of India was not alone in his concern about delays in project implementation. In fact that concern had been a determining factor in the GEF Council decision to expand the number of executing agencies. In order to avoid any duplication of efforts, executing agencies would have direct access to the GEF Secretariat. So the problem of delays in project implementation should shortly be resolved. In conclusion, he endorsed the

remarks made about the worldwide relevance of GEF and environmental issues.

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (IDB.23/14)

20. **Mr. RAMIREZ GASTON** (Peru), speaking on behalf of the Group of 77 and China, urged the Director-General to provide in future annual reports the information that was requested by General Assembly resolution 53/192, concerning the triennial policy review of operational activities for development of the United Nations system. One of the most important tasks of the United Nations development agenda was to address the link between globalization and marginalization, emphasized during the recent Millennium Summit in New York. The Group of 77 and China welcomed the Organization's efforts to enhance the role of industry in the developing countries with a view to improving their productivity and competitiveness and ensuring their access to the global market. Moreover, in line with a draft resolution currently before the General Assembly on industrial development cooperation, UNIDO, in cooperation with other organizations of the United Nations system, should continue to assess and disseminate information on best practices in the area of industrial policies and strategies and lessons learned in industrial development, taking into account the effects of financial crises and the impact of globalization on the industrial structure of developing countries, and support South-South co-operation by providing ideas for industrial development cooperation and for economic and technical cooperation among developing countries. Donors were urged to provide adequate financial support to enable UNIDO to fully implement its portfolio of integrated technical cooperation programmes and to strengthen its global forum activities.

21. **Ms. HALABI** (Syrian Arab Republic) said that the Director-General's report on operational activities for development (IDB.23/14) contained proposals that would assist developing countries and economies in transition in adopting the reforms that would give them access to world markets.

22. A revitalized UNIDO would help to eliminate poverty and overcome underdevelopment. To enable the Organization to perform its tasks, she called upon Member States to pay their assessed contributions in full and on time and pay off their arrears, and to increase their voluntary contributions.

23. The Syrian Arab Republic was interested in modernizing its industry and encouraging foreign investment in the development of Syrian exports. In that connection, she hoped that all the proposals discussed during the recent visit of the Director of the UNIDO Arab Bureau to Syria would be implemented—in particular, support for the completion of Syria's industrial database.

24. Her Government favoured an enhanced role for UNIDO and hoped to increase its cooperation with the Organization.

25. **Ms. ZIADE** (Observer for Lebanon) thanked the Director-General for the work he had done to safeguard the functioning of the Organization in very difficult financial circumstances, and for his informative introductory statement.

26. The integrated technical cooperation programme for Lebanon had recently been adopted and funds earmarked for it. Lebanon attached great importance to the implementation of the programme because it believed that sustainable economic development was the main engine of the economy and would help boost productivity and increase competitiveness on world markets.

27. A UNIDO regional office had opened in Lebanon, with limited staff, in 1998. It was already playing an active role. The Lebanese Government called on UNIDO to strengthen the office. Its geographical location and the fact that many other United Nations offices had been established in the area made it a good focal point for operational activities for development for the benefit of the whole region.

28. **Mr. BONEV** (United Nations Development Programme (UNDP)) said, with respect to the funding of operational activities, that official development assistance (ODA) had shrunk in the last few years. Funding of United Nations multilateral programmes had suffered particularly as voluntary assistance was the easiest for Governments to cut when budget reductions were needed. In UNDP, whereas non-core resources were increasing, core resources had that year reached their lowest level—under 700 million dollars compared with 1.1 million dollars a few years previously. In the light of the financial crisis, a ministerial meeting on the future of UNDP had been held on 11 September 2000—the first ever in the history of the organization. Many high-level representatives from programme and donor countries had come together to talk about the role, performance and future of UNDP. The irony of UNDP's declining resource base in the context of the emerging global consensus around the campaign to end world poverty had been highlighted.

29. The resource situation of UNDP had been the major issue discussed. The good news was that a number of donor Governments had committed themselves to seeking increased levels of core and non-core resources in 2001. Sweden had announced an additional contribution of 3.3 million dollars to core resources for the year 2000 as well.

30. The true impact of the meeting would become apparent in the months ahead, but UNDP was confident that the meeting represented a major step towards regaining for its work the political support and attention that it deserved.

31. Turning to the question of UNIDO participation in the coordination mechanism of the United Nations system, the Chairman of the United Nations Development Group (UNDG) had asked him to express appreciation for the very productive working relations that had been maintained between UNIDO and UNDG through the Consultative Committee on Programme and Operational Questions (CCPOQ) and its working groups. As work proceeded with the United Nations common country assessments, United Nations Development Assistance Frameworks (UNDAFs) and initiatives to encourage joint programming, close collaboration with UNIDO was vital. UNDG believed that UNIDO had a vital role to play in such endeavours, aimed at strengthening the impact of the development work of the United Nations system at country level in support of national development priorities.

32. The UNDG Chairman also acknowledged UNIDO's strong commitment to the strengthening of the Resident Coordinator system, and hoped that the cooperation between UNDG and UNIDO would be further developed for the benefit of all countries.

33. While UNDP was no longer a major funding source for UNIDO, the Organization remained one of its major partners. The secretariats of both organizations were taking the necessary steps to ensure that their collaboration would take new forms corresponding to the aspirations and the new visions of their constituents.

PROPOSED INTERNATIONAL CENTRE FOR SUSTAINABLE INDUSTRIAL DEVELOPMENT (IDB.23/13 and Add.1)

34. **The PRESIDENT** recalled what had been said at the first meeting, during the discussion of the agenda, regarding the proposed international centre for sustainable industrial development (see summary record IDB.23/SR.1, paragraph 9).

MATTERS RELATED TO INTER-GOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.23/1/Add.1)

35. **The PRESIDENT** noted that no request for the floor had been received and suggested that the Board should take note of the documentation provided by the Secretariat on the item.

36. *It was so decided.*

PREPARATIONS FOR THE NINTH SESSION OF THE GENERAL CONFERENCE (IDB.23/CRP.3)

37. **Ms. ORLOWSKI** (Secretariat) drew attention to the conference room paper on the preparation of the provisional agenda for the ninth session of the General Conference, scheduled to be held from 3 to 7 December 2001 (IDB.23/CRP.3).

38. No decision concerning the provisional agenda for the General Conference was required at the present session, but the Board might wish to have an indication of items that might be included, to facilitate the planning of Member States for the next session of the Industrial Development Board, for which the dates 19 to 22 June 2001 had been reserved. At that time the provisional agenda for the ninth session of the General Conference would have to be adopted.

39. Some of the items listed in the annex to document IDB.23/CRP.3 were mandated by rules or regulations, but those marked with an asterisk had been proposed as possible matters for discussion in view of their importance in the context of future work and of the Business Plan on the Future Role and Functions of UNIDO.

40. **The PRESIDENT**, noting that there were no comments, suggested that the Board should take note of the information provided by the Secretariat.

41. *It was so decided.*

PROVISIONAL AGENDA AND DATE OF THE TWENTY-FOURTH SESSION (IDB.23/CRP.2 and CRP.4)

42. **The PRESIDENT** said that the question of the provisional agenda and date of the twenty-fourth session of the Board was being dealt with in informal consultations.

The meeting was suspended at 4.05 p.m. and resumed at 4.40 p.m.

43. **The PRESIDENT** said that informal consultations were still continuing, and the discussion would resume at the following meeting.

The meeting rose at 4.45 p.m.

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20 November 2000

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Twenty-third session

SUMMARY RECORD OF THE 5th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 16 November 2000, at 11.30 a.m.

President: Mr. ORTIZ (Spain)

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Distr.: 6 December 2000

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The meeting was called to order at 11.50 a.m.

INTRODUCTION OF DRAFT DECISIONS (IDB.23/L.2-L.13)

1. **The PRESIDENT** said that a number of draft decisions, which had been discussed in informal consultations under the chairmanship of Mr. Urruela Prado (Guatemala), were before the Board.

2. **Mr. URRUELA PRADO** (Guatemala), speaking as chairman of the informal consultations, expressed his appreciation of the constructive spirit that had prevailed during the consultations, and particularly thanked those delegations that had helped to find compromise solutions. Regarding document IDB.23/L.8 on agenda item 13 ("Provisional agenda and date of the twenty-fourth session"), there had been a general feeling that the provisional agenda proposed for the twenty-fourth session was too long; he would suggest a possible solution to the problem under item 13.

REPORT OF THE PROGRAMME AND BUDGET COMMITTEE (*continued*) (IDB.23/2)

(a) REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999 (*continued*) (IDB.23/3 and Corr.1, IDB.23/6, IDB.23/7 and Corr.1; IDB.22/2 and Corr.1 and Add.1; IDB.23/L.2)

3. **The PRESIDENT** drew attention to draft decision IDB.23/L.2.

4. *The draft decision was adopted.*

(b) FINANCIAL SITUATION OF UNIDO, INCLUDING ARREARS (*continued*) (IDB.22/8; IDB.23/CRP.1)

5. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

6. *It was so decided.*

(c) UNUTILIZED BALANCES OF APPROPRIATIONS, 1992-1993 AND 1996-1997 (*continued*) (IDB.23/5)

7. No draft decision having been submitted under the item, **the PRESIDENT** proposed that the Board take note of the documentation provided by the Secretariat.

8. *It was so decided.*

(d) FINANCIAL REGULATIONS (*continued*) (IDB.23/8; IDB.23/L.3)

9. **The PRESIDENT** drew attention to draft decision IDB.23/L.3.

10. *The draft decision was adopted.*

(e) TRANSITION TO A SINGLE-CURRENCY SYSTEM (*continued*) (IDB.23/15 and Add.1; PBC.16/3, PBC.16/9; IDB.23/L.7)

11. **The PRESIDENT** drew attention to draft decision IDB.23/L.7, entitled "Transition to a single-currency system—Definition of major objects of expenditure".

12. *The draft decision was adopted.*

(f) MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005 (*continued*) (IDB.23/4; IDB.23/L.4)

13. **The PRESIDENT** drew attention to draft decision IDB.23/L.4.

14. *The draft decision was adopted.*

(g) MOBILIZATION OF FINANCIAL RESOURCES (*continued*) (IDB.23/5; IDB.23/L.5)

15. **The PRESIDENT** drew attention to draft decision IDB.23/L.5.

16. *The draft decision was adopted.*

INTEGRATED PROGRAMMES (*continued*) (IDB.23/18; IDB.23/CRP.5; IDB.23/L.9)

17. **The PRESIDENT** drew attention to draft decision IDB.23/L.9.

18. **Ms. PELLICER SILVA** (Mexico) proposed that the words "*con beneplácito*" should be deleted from the first line of paragraph (b) in the Spanish version.

19. *It was so decided.*

20. **Mr. FREEMAN** (United Kingdom) thought that the wording of paragraph (d) could be improved. In particular, the precise meaning of the words "including donors" was unclear.

21. After a discussion in which **Ms. PELLICER SILVA** (Mexico), **Mr. ZEWDIE** (Ethiopia), **Mr. PAULINICH** (Peru), **Mr. GONZALEZ** (Chile) and **Ms. QUINCY** (France) took part, **Ms. GARDEZI** (Pakistan) urged that the existing text should be maintained, as it represented a compromise solution.

22. **Mr. FREEMAN** (United Kingdom) agreed.

23. **The PRESIDENT** said that attention had been drawn to errors in the French and Spanish versions of the draft decision; those would be corrected.

24. *Draft decision IDB.23/L.9, as amended, was adopted.*

FIELD REPRESENTATION (*continued*) (IDB.23/10, IDB.23/18; IDB.23/L.10)

25. **The PRESIDENT** drew attention to draft decision IDB.23/L.10.

26. *The draft decision was adopted.*

GLOBAL FORUM ACTIVITIES (*continued*) (IDB.23/9; IDB.23/CRP.7; IDB.23/L.11 and L.12)

27. **The PRESIDENT** drew attention to draft decision IBD.23/L.11.

28. **Mr. BADDOU** (Morocco) thought that there was a difference in meaning between the term "*grandes orientations*" used in the French version of paragraph (b) and the term "policy orientations" used in the English version.

29. **The PRESIDENT** said that the Secretariat would ensure that the translations were correct.

30. *Draft decision IDB.23/L.11 was adopted.*

31. **The PRESIDENT** drew attention to draft decision IDB.23/L.12, entitled "UNIDO's involvement in LDC III".

32. **Mr. PAULINICH** (Peru) proposed that, in the first line of the Spanish version of paragraph (e), the word "*conspicua*" should be replaced by the word "*visible*".

33. *It was so decided.*

34. *Draft decision IDB.23/L.12, as amended, was adopted.*

35. **Ms. QUINCY** (France) thanked the Director-General for the information he had provided on the preparations for the Third United Nations Conference on the Least Developed Countries (LDC III) and said that her country hoped to be involved in a sustained dialogue with the Secretariat to assist the participation of UNIDO in the Conference.

UNIDO GLOBAL ENVIRONMENT FACILITY ACTIVITIES (*continued*) (IDB.23/11; IDB.23/L.13)

36. **The PRESIDENT** drew attention to draft decision IDB.23/L.13 on "Climate change and environment".

37. *The draft decision was adopted.*

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (*continued*) (IDB.23/14; IDB.23/L.6)

38. **The PRESIDENT** drew attention to draft decision IDB.23/L.6.

39. *The draft decision was adopted.*

PROVISIONAL AGENDA AND DATE OF THE TWENTY-FOURTH SESSION (IDB.23/CRP.2 and CRP.4; IDB.23/L.8)

40. **Mr. URRUELA PRADO** (Guatemala), speaking as chairman of the informal consultations, noted that many of the items listed in document IDB.23/L.8 would be covered in the Director-General's Annual Report. In the light of comments made during the informal consultations, he suggested that items 6, 7, 8, 10, 11, 12 and 14 of the provisional agenda might be deleted on the understanding that the Annual Report would cover: region-specific information on integrated programmes and special features; activities in favour of the least developed countries; developments concerning the integrated programmes; global forum activities, including technology foresight; the role of UNIDO in the achievement of international development targets; and Investment and Technology Promotion Offices (ITPOs).

Additionally, in view of the need expressed for a broader agenda item to cover climate change and the environment, the item on UNIDO Global Environment Facility activities might be extended to cover environment-related activities in general.

41. **Mr. FREEMAN** (United Kingdom) said that a real effort should be made to shorten the agenda, which was too long.

42. **Ms. PELLICER SILVA** (Mexico) thought that the question of Investment and Technology Promotion Offices could be dealt with under item 12 "Global forum activities").

43. **Mr. ZEWDIE** (Ethiopia) said that, while he supported the efforts to shorten the provisional agenda, he would prefer item 7 on the industrialization of the least developed countries (LDCs) not to be deleted, given its importance and the fact that, under the Business Plan on the Future Role and Functions of UNIDO, special consideration was to be given to those countries.

44. **Mr. GONZALEZ** (Chile) said that, in the light of the efforts of the Director-General directed towards streamlining the work of the Organization in both substance and form, serious consideration should be given to the structure of Board sessions. Statements often touched on several issues without any real discussion taking place. An open-ended working group should perhaps be set up to deal with specific subjects.

45. **The PRESIDENT** thought that the Board could confine itself to taking note of the agenda proposed for the next session and that representatives of the Secretariat could meet with representatives of regional groups before the twenty-fourth session to look at ways of reducing the number of items on the provisional agenda for the session.

ADOPTION OF THE REPORT (IDB.23/L.1)

46. **Mr. LAASSEL** (Morocco), Rapporteur, introducing document IDB.23/L.1, said that it merely represented the framework of the report. Owing to time constraints, there had been no meeting of the Friends of the Rapporteur during the session. The final version of the report would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session.

47. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

48. *It was so decided.*

CLOSURE OF THE SESSION

49. **Mr. MAGARIÑOS** (Director-General), illustrating his statement by means of transparencies, expressed his thanks to participants in the session. For the first time in four years all Board members had been represented—an indication of the renewed interest of Member States in the Organization. He also expressed his appreciation of the pledges that had been announced by Norway, the United Kingdom, Italy, Nigeria and India, as well as by Spain, which would be making its first contribution to the Industrial Development Fund.

50. The strong reactions that the reduction in integrated programmes had aroused had demonstrated the strong sense of ownership that recipient countries had with respect to their programmes. While he understood that Member States might be discouraged by the adjustment, it was important to emphasize that the scaling down had been carried out to reduce any potential overlapping. The objective of ensuring that technical cooperation was based on priorities established by Member States had been achieved. He would, however, be willing to listen to any comments that Member States might have on the exercise of reducing the integrated programmes.

51. It was regrettable that the draft decision on field representation (IDB.23/L.10) gave no indication of why effective decentralization remained incomplete. It should be made clear that the reason was lack of resources rather than slackness on the part of the Secretariat in implementing the guidelines in the Business Plan on the Future Role and Functions of UNIDO. In the Board's discussions on the matter, a clear consensus had emerged concerning the expediency of a gradual approach to decentralization.

52. With regard to global forum activities, he said that a working group would be set up in which representatives of regional groups would be invited to participate to establish the contribution to be made by UNIDO to the Third United Nations Conference on the Least Developed Countries. Emphasizing UNIDO's contribution to the LDCs, he said that a total budget of $53 million existed for integrated programmes in the LDCs, $16 million of which was currently allocated.

53. There had been no opportunity at the current session to analyse the Secretariat's new initiatives in detail. Discussion of that subject would be very important if the technical cooperation portfolio was to be expanded. He planned to organize informal consultations to present the Secretariat's strategy in that regard. It was gratifying to note that one regional

initiative was receiving substantial financial support from the European Union.

54. He welcomed the quality and substance of the dialogue that had taken place in the Board. Although improvements could still be made, as the representative of Chile had indicated, much progress had been achieved over the previous three years.

55. After an exchange of courtesies, **the PRESIDENT** declared the twenty-third session of the Industrial Development Board closed.

The meeting rose at 1.15 p.m.